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ABSTRACT

In 1974 the New Jersey Board of Higher Education appointed an independent Commission on Financing Postsecondary Education to develop a long-range financing plan for education beyond high school. Data were analyzed, issues debated, and alternative financing plans discussed regarding the Commission charge to: (1) develop policies to promote access to appropriate postsecondary opportunities; (2) promote institutional capacity to adjust to changing educational needs; (3) design a financing system that enhances quality at all levels; (4) distribute the costs of education in a socially equitable fashion; and (5) design a system to maintain institutional stability insofar as prudent, practical, and consistent with public policy. An overview of New Jersey postsecondary education is presented, and recommendations for state financing principles and strategies are offered. Financial implications of the Commission's recommendations are reviewed. Appended are: indices of income group representation by institutional sector; cost simulation model; commission publications; commission advisory subcommittees; commission proceedings and meetings; and statements of individual commission members. (LBH)

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COMMISSION ON FINANCING POSTSECONDARY EDUCATION
STATE OF NEW JERSEY

A PUBLIC COMMISSION APPOINTED BY THE NEW JERSEY BOARD OF HIGHER EDUCATION

FINANCING IN AN ERA OF UNCERTAINTY

Final Report

State of New Jersey

Commission on Financing Postsecondary Education

March, 1977

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Note: Special thanks is due Mrs. Shirley Gilbert of the Princeton University Computer Center for her technical assistance, particularly with the Commission's cost simulation model.

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STATE OF NEW JERSEY

STATE BOARD OF HIGHER EDUCATION

August 1, 1974

A CHARGE TO THE COMMISSION ON FINANCING POST-SECONDARY EDUCATION

On behalf of my colleagues on the Board of Higher Education I wish to outline some of the concerns which have led us to establish this special Commission to study the Financing of Post-secondary Education in New Jersey, which we believe to be one of the most critical efforts in which we have engaged since the Board was established.

No doubt you are aware that within the past few years several national study groups have addressed the financial problems facing post-secondary education -- the principal studies are summarized in the attached article by Howard Bowen. We believe each of these groups has made a contribution to our understanding of the nature and complexity of the problem, but since none of the groups has nad direct responsibility for taking action to effect changes in policies or programs (as does the Board of Higher Education), it is not surprising that their recommendations either lack specificity or seem to be marked by an unrealistic sense of fiscal and political possibilities.

In any event, the Board believes that there is more than sufficient evidence that a number of critical factors affecting post-secondary education have so changed in recent years that it is doubtful that a mere continuation of present public policies will insure

- open access to appropriate post-secondary educational opportunity for all citizens
- institutional capacity to adjust to changing educational needs
- an enhancement of educational quality at all levels
- a socially equitable distribution of the costs of post-secondary education
- maintenance of the stability of existing post-secondary institutions insofar as prudent, practicable and consistent with the public interest

All of the above, as you might expect, are among the principal objectives of the Board. I am also enclosing a copy of a letter* which Chancellor Dungan solicited from Dr. Dean Evans, President of the New Jersey Association of Colleges and Universities, which sets forth the views of this important organization.

In an effort to provide an initial focus for the Commission, we list below some questions which we hope can be explored, the answers to which may be suggestive of a revised set of public policies. In listing these questions, I wish to emphasize that they are not intended to be in any way limiting. Indeed, we would be grievously disappointed if the Commission, as a result of its own deliberations, contact with an Advisory Committee with representatives of appropriate involved constituencies, and with the public at large, did not enlarge the scope of the inquiry beyond the limits suggested by these questions.

Access - To what extent do present student financial aid programs insure access to persons of all income strata? Do these programs insure equal institutional access, i.e., are high cost institutions beyond the reach of most students? How do non-financial barriers (race, preparation, etc.) relate, if at all, to financial limitations? Should financial aid to students be given independently of the institutions they choose to attend, to widen student choice?

Quality - How can appropriate indicators of educational quality be considered in questions of cost analysis, covering unit cost measurement, efficiency, and productivity? Are present funding levels generally adequate to support desired levels of quality in varying institutions? Do present budgeting techniques facilitate or impede attainment of Board objectives, especially with respect to the attainment of educational quality? Should fiscal means be established to recognize high educational quality in institutions and individuals?

Diversity - What are the existing fiscal patterns and models within the independent sector? How do these contrast to those of the public sector? What are the resulting differences in student access, choice, and educational quality? What are the effects of present fiscal relationships to state and federal funding? What are the effects of tuition offsets in the independent sector through both institutional and direct student aid?

Equity - At present, who pays for higher education and who benefits? What level of present educational costs are supported by tuition? Institutional aid? Student aid? Loans? How can

* The letter referred to is not included in this report of the Commission.

we best consider the proper role, both in contributing and benefiting, of society and the individual? What are the present relationships of higher education funding in the state and federal sectors in proportion to other areas of funding? What effect on equity will students' reaching of majority at age 18, with independent status, have on funding?

In addition to the above substantive questions which we expect to be addressed I would like to clarify several points which might be termed procedural:

1. While we hope that the report of the Commission will contain sufficient discussion of various areas to enable citizens to understand the complex issues involved, we wish emphasis to be placed on the development of specific recommendations for action insofar as it is possible to arrive at them.

2. We are hopeful that the Commission will be able to come to major conclusions by early 1975 so that any recommendations requiring legislative action might be considered by the next session of the Legislature.

3. We are most anxious to obtain the views of all persons -- certainly those in the post-secondary educational community who are affected, as well as students and taxpayers. We hope that the Commission, in addition to consulting with the Advisory Committee, will utilize public hearings and other appropriate means to obtain public advice and opinion.

4. We believe it is important that direction of the work of the Commission be under the supervision of a person or persons of your choosing. We believe that there are resources in New Jersey at the institutions, the Department, and elsewhere that can and should be utilized, but it is our intention that direction of the study be independent of the Department although Department staff will be available for assistance.

Mr. Edward Booher and Mr. Anthony Bartolotta will constitute a formal link with the Board although I and other members of the Board hope to join you from time to time. I have asked Mr. Booher to serve as Chairman of the Commission. He has suggested a dinner meeting on September 10 or 12 for organizational purposes.

Staff will be in contact with you to determine which date is most convenient and give you further information as to time and place. Also within the next few weeks we shall be sending you some selected reading material (although we do not want to burden you with the superabundance of material on this subject that is available).

Finally, I wish to share with you my personal sense of the critical nature of problems on which we seek your advice and help. If this problem was important in the Spring when the Board authorized the establishment of the Commission it certainly assumed even greater importance within the past weeks as inflationary trends add even more urgency to the consideration of broad problems of educational finance. Our efforts to anticipate problems, it seems, have come none too soon and we are grateful for your willingness to help bear the burden.

Gilbert G. Roessner
Chairman
Board of Higher Education

SUMMARY OF FINDINGS

In 1974 the New Jersey Board of Higher Education appointed an independent Commission on Financing Postsecondary Education to develop a long range financing plan for education beyond the high school. For more than two years the Commission has analyzed data, debated issues, and discussed alternative financing plans as they relate to the Commisison charge:

1. To develop policies to promote access to appropriate post-secondary opportunities for New Jersey's citizens.

2. To promote institutional capacity to adjust to changing educational needs.

3. To design a financing system that enhances quality at all levels.

4. To distribute the costs of education in a socially equitable fashion.

5. To design a system which would maintain institutional stability insofar as prudent, practical and consistent with public policy.

This inquiry has led the Commission to a number of conclusions that indicate the need for a change in the present financing structure. Paramount among these conclusions are:

1. While it is impossible to accurately predict future enrollments, the evidence tends to suggest that enrollments will decline, perhaps significantly, after 1980 and that the characteristics of future matriculants will be quite different from those that have prevailed for the last decade.

2. While the current financing structure provided a substantial foundation for building the system from a limited base and during a period when the traditional college-age population was expanding, certain problems have developed that may become more serious in the future, most noteworthy of which are:

a. the inequitable treatment of certain students (and their families) because of their institutional choice, income level or attendance pattern

b. unequal distribution of state funds to the different public institutions for the provision of similar services

c. the widening tuition gap between public and independent institutions, with the resulting reduction in students' choices of institutions because of financial barriers to attending the independent colleges (barriers caused not by differences in the cost of educating the students, but by the differences in the price that must be charged due to state subsidy of public institutions)

d. a disturbing tendency toward enrollment stratification by income level among postsecondary institutions.

3. The anticipated slowing of the growth rate of total state expenditures which will negatively affect institutions that depend disproportionately on state support for their vitality.

4. The current system does not encourage flexibility or campus-level managerial autonomy to an adequate degree to cope with emerging educational and enrollment trends.

5. The current system responds to institutional interpretations of educational needs rather than to student interpretations of their needs.

These conclusions led the Commission to make a series of recommendations that should increase institutional autonomy and flexibility in the public sectors, enhance access to all forms of postsecondary education, especially for groups who have not previously been eligible for student assistance, improve the competitive position of the independent institutions, encourage institutional efficiency and effectiveness and reduce the inequities that developed under the current system. The Commission's recommendations are evolutionary in nature, and while they change the emphasis of the present financing system from institutional to student support, the recommendations recognize that both society and the individual benefit from postsecondary education. In recommending certain changes and an increased funding level, the Commission cautions that implementation be phased in over an appropriate period of time and monitored closely.

The Commission specifically proposes:

Recommendation 1: The state should provide to all public institutions equal subsidies for each undergraduate student enrolled in the same program category. At present a subsidy set at 60% of appropriate programmatic expenditures is recommended.

a. The state's institutional support program should reflect the impact of inflationary and uncontrollable institutional cost increases.

b. The state's institutional support formula should reflect the marginal cost changes associated with modest enrollment fluctuations.

Recommendation 2: The distribution of direct state subsidies to the county community colleges should equalize public funding of those institutions on the basis of county taxing ability.

Recommendation 3: The state should promote an open door policy in the county college system with respect to financial access.

Recommendation 4: State financial support to New Jersey's independent colleges and universities should be continued, but be provided indirectly through financial aid to students attending these institutions.

a. Financial aid awards to students who attend independent collegiate institutions should be limited to the maximum state support (institutional subsidy plus student aid) available to a student at Rutgers University.

Recommendation 5: The state should determine the extent of academic skills deficiencies among students and allocate specific funds for remedial and developmental programs at the postsecondary level.

a. The Commission urges that the state adopt policies to curb the decline in achievement and to improve the persistence rate of skills deficient postsecondary students.

b. The state's efforts to confront the problem faced by skills deficient students, currently addressed through the Educational Opportunity Fund Program, should be continued and broadened.

c. Any policy which provides funds for remedial and developmental programs should include a clause which limits the allocation of such funds to an appropriate time interval.

Recommendation 6: The state should support graduate education at public institutions through a combination of moderate institutional subsidy, a limited number of doctoral student fellowships, and an allocation of funds in support of separately budgeted research activities at Rutgers and the New Jersey Institute of Technology.

a. All public institutions should receive subsidy for graduate programs based on the principle of like support for like programs. However, the subsidy level for graduate programs should be lower than the corresponding level established for undergraduate work.

b. Fifty percent of the appropriate programmatic costs should be allocated as subsidy for graduate programs, as contrasted with 60% for undergraduate programs.

c. Fellowships should be made available to selected students pursuing doctoral degrees in public institutions.

d. The state should allocate funds in support of separately budgeted research at Rutgers and the New Jersey Institute of Technology.

e. Institutions should identify the costs associated with graduate education as distinct from those associated with undergraduate education.

f. The state should consider a work-study program for graduate students.

Recommendation 7: The state should not undertake additional growth in permanent academic facilities capacity beyond those projects outlined in the Governor's Capital Needs Commission report of 1975.

Recommendation 8: The state should establish a single undergraduate student grant aid program in which financial aid is awarded on the basis of tuition and fee costs and the ability of the student and his or her family to pay.

a. The state need-based grant aid program for students should be designed to offset tuition and fee charges only.

b. All students, except those from very low income families, should be expected to make some monetary contribution toward financing their education.

c. In determining the expected monetary contribution to be made by the undergraduate student's family, the state institutional subsidy allocated in support of that student, if he/she is attending a public institution, must be taken into account.

d. Families of students who choose relatively more expensive institutions should pay a larger proportion of the costs as the affluence of the family increases.

e. The student grant aid program should employ a single formula for calculating the magnitude of the aid award. An acceptable methodology should be utilized in the formula to determine that portion of a family's income which is discretionary.

f. The state should establish a fund which allows campus aid officers to adjust student grant awards in light of special circumstances not recognized in the formula for determining state grant aid awards.

g. The state should define the circumstances under which it will accept a student's declaration of independence from the family.

Recommendation 9: The state should continue to promote guaranteed student loans through the New Jersey Higher Education Assistance Authority, thereby assisting postsecondary students and their families in meeting college-related expenses.

a. The state should appropriate sufficient funds to insure the adequacy and stability of the "public window," which serves as a lender of last resort.

b. Substantial incentives should be provided to private lenders so they will continue to participate in the Guaranteed Student Loan Program.

Recommendation 10: Students who enroll at least half-time in an undergraduate degree or certification program should be eligible to receive state student grant aid.

Recommendation 11: New Jersy residents who matriculate in non-collegiate postsecondary education programs in any certified New Jersey institution should be eligible to receive state student grant aid.

a. To be eligible for participation in the student aid program, a proprietary school would have to be certified by a team appointed jointly by the Department of Higher Education and the Department of Education.

Recommendation 12: A merit scholarship program should be established to supplement the need-based undergraduate student grant aid program.

Recommendation 13: New Jersey residents who pursue postsecondary education in any other state should be eligible to receive state student grant assistance if that state has a reciprocal agreement on student aid portability with New Jersey.

Recommendation 14: The Department of Higher Education should assume a leadership role in developing a statewide information dissemination system and a counseling and assessment system to facilitate student choice and student/program compatability.

Recommendation 15: The state should enhance postsecondary programs through improved cooperation and the expansion of flexible educational systems.

a. The Educational Coordinating Council should be given authority and commensurate responsibility for planning and coordinating areas of joint concern to the Department of Higher Education and the Department of Education.

b. The "1202" Commission should act as a facilitator in an effort to grant licenses to vocational/technical and proprietary institutions, which would allow them to award the "Associate of Occupational Science" degree.

c. The Board of Higher Education should encourage continued expansion of interinstitutional cooperation in Newark.

d. The state should encourage the expansion of Edison College (among others) to serve the academic and counseling needs of an increasing number of non-traditional students.

e. The state should consider implementation of a demonstration project in which student aid vouchers are utilized.

Recommendation 16: Complete, current, and reliable information on financial operations, including program costs, and more meaningful evaluations of educational outcomes against expected standards should be generated cooperatively by the Department of Higher Education and the institutions.

a. All public institutions should use external certified public accountants to prepare public financial reports which display sources and uses of all funds according to accepted guidelines.

b. Formal evaluation of academic program quality should be conducted on a regular basis.

Recommendation 17: The state should take action where possible to increase autonomy of public postsecondary institutions.

a. Public institutions should be permitted to establish their own tuition schedules, within broad ranges established by the Board of Higher Education, and to retain tuition receipts.

b. Funds raised by public institutions from external sources should not be used by the state to reduce its subsidy obligation.

c. New academic undergraduate programs should be reviewed with a minimum of delay. To facilitate new program initiatives the Board of Higher Education should institute a system of "provisional approvals" to permit the program to start before the comprehensive review is completed.

d. Collective bargaining procedures and faculty personnel policies for public institutions should recognize institutional differences.

The Commission believes these recommendations, if implemented, will help expand student access and choice as well as institutional diversity; expend state funds in a more efficient, equitable and rational manner; promote quality by rewarding meritorious students and encouraging healthy programmatic competition; and increase the financial and managerial flexibility of the postsecondary institutions in the state. Only by moving in these directions will the challenges and educational needs of the future be met.

It should be noted here that the Commission makes no recommendations about financing policies for the College of Medicine and Dentistry of New Jersey

or the Agriculture Experiment Station of Rutgers. Both represent specialized situations that do not fit the general funding strategies and policies recommended herein. While CMDNJ and the Agriculture Experiment Station are mentioned in this report, such is the case essentially for purposes of budget comparability and consistency or presentation. The Commission recommends to the Board of Higher Education that because of the importance of these activities and the magnitude of state appropriations devoted to them, additional efforts be undertaken to analyze and evaluate fully various financing alternatives for these unique programs (CMDNJ may be slightly affected by the Commission's student aid recommendations, a fact to be considered in any further analysis of its programs).

Section I of this report, which follows immediately, sets forth the background and evaluation of New Jersey postsecondary education, the current financing system, and those issues both in the present and in the future which provide a rationale for the recommended changes.

SECTION I

NEW JERSEY POSTSECONDARY EDUCATION: A PERSPECTIVE

SECTION I

NEW JERSEY POSTSECONDARY EDUCATION: A PERSPECTIVE

Years of Progress

Evolution and Environment - 1950-1965

Higher education in the United States has changed dramatically since World War II and the passage of the GI Bill of Rights. For the first time in our history there was widespread recognition that collegiate study should not be limited to a relatively small proportion of secondary school graduates. Participation in higher education, which became an attainable goal for increasing numbers of students, forced the reappraisal and restructuring of a nationwide system which had not changed appreciably in a half century. Independent liberal arts colleges, select independent universities, great land-grant institutions, and public teacher training colleges had comprised the bulk of a system whose total enrollment before World War II was not much larger than the total graduate student enrollment today. The junior college had been established, but its successor, the community college, had not, and the proliferation of state colleges, mini universities, branch campuses, and other forms of postsecondary education which are familiar to most people today did not exist prior to World War II.

Growth and the accompanying need for change occurred slowly, although recognition of the need for expanded access to the many disparate forms of postsecondary education increased steadily and without great challenge. It was not until the late 1950's and early 1960's, with the impact of the post-war baby boom, that growth accelerated and the call for a wider choice of educational opportunities became a high national priority.

From 1950 to 1965, the structure of the New Jersey higher education system changed little. Most college bound New Jersey residents continued to seek higher education in other states. New Jersey's six public colleges remained essentially teacher training institutions, fulfilling a genuine but specialized need. Rutgers did not become the State University until 1956, and except for Princeton University which attracted a nationwide student population, New Jersey's independent institutions were small liberal arts colleges attended primarily by New Jersey residents. The higher education system had been modestly expanded over this fifteen-year period, but as the Strayer report[1] of 1962 noted, this growth was insufficient to keep pace with the projected expansion of the population and the growth in the number of youth who desired a college education. The inadequacy of the system was particularly evident in view of the expected growth in the traditional college-age population, the increase in the rate of high school graduation, and the rise in the college going rate. Clearly, a major step forward was necessary.

Goheen Committee

In 1965, Governor Richard Hughes appointed a Citizen's Commmittee for Higher Education, headed by Dr. Robert Goheen, the president of Princeton University. In a widely heralded report, which made a number of major recommendations, the Committee urged that:

1. New Jersey dramatically expand enrollment places in its public colleges and universities, build more comprehensive state colleges and add academic programs to meet increased enrollment demand.

---

[1] G.D. Strayer and C.R. Kelley, "The Needs of New Jersey in Higher Education, 1962-1970" (Trenton: New Jersey Board of Education, 1962).

2. The state make an immediate capital outlay of $150 million for construction and operating support of the expanding postsecondary system.

3. The state establish a dormitory and building authority.

4. The state initiate an incentive scholarship program for students attending independent institutions.

These and other recommendations served as the catalyst for subsequent state actions designed to develop and expand the higher education system.

Legislative Action

In 1966, following the release of the Goheen Committee report, the legislature enacted the Higher Education Act, under which a policy-making Board of Higher Education and a Department of Higher Education were established. The Act stipulated that the program offerings of public institutions were to be enlarged by changing the state colleges from teacher training institutions to comprehensive regional colleges, by expanding Rutgers University and the Newark College of Engineering (now New Jersey Institute of Technology), and by completing the development of the two-year county college system, which had been authorized in 1962. The autonomy of public institutions was to be enhanced by the creation of separate institutional boards of trustees and by strengthening the role of campus presidents.

Concurrently, the Higher Education Facilities Authority was established for the purpose of selling notes and bonds for construction of both revenue and non-revenue producing facilities at both public institutions and the state's independent institutions.

In 1968 and again in 1971, New Jersey voters approved bond issues in the amount of $357.5 million; the revenue was to be used for capital construction to expand existing campuses and to build two new state colleges and several county colleges.

In 1968, two new student aid programs were introduced. The Educational Opportunity Fund was designed to meet the college needs of academically and economically disadvantaged students, while the Tuition Aid Grant Program was created to reduce for New Jersey students the differential in the cost of attendance between public and independent institutions.

Finally, in 1972, the legislature passed the Independent Colleges and Utilization Act, which established two direct subsidy programs for independent colleges based on New Jersey residents enrolled, and two additional programs through which funds may be allocated to these institutions for specific services.

During the same year, the state moved to provide alternative paths to higher education with the establishment of an External Degree Program offered through the newly organized Thomas A. Edison College.

The Hudson County College Commission was approved in 1974 by the Board of Higher Education under a state law which allows counties without a county college to attain state monies, enter into contracts with accredited postsecondary institutions and grant degrees.

Master Plan

Shortly after the formation of the Board of Higher Education in mid-1967, the Chancellor requested the Board to direct its attention to the formulation of policies and plans for the continuing development of higher education in New Jersey. The result was the first phase of the state's Master Plan for Higher Education, published in early 1970. This document, the product of extensive analysis and broad-based debate, was designed to serve as a guide to the future development of higher education in New Jersey. The adopted plan formally endorsed the following goals:

1. To assure each individual the opportunity to be educated to the height of his or her potential.
2. To eliminate financial barriers to education.
3. To foster diversity and flexibility in the educational system.
4. To foster an integrated system of public and private institutions.
5. To strive for excellence.
6. To help meet the needs of society.
7. To encourage research and the advancement of knowledge.
8. To sustain academic freedom.
9. To contribute to the well-being of the community.
10. To use all resources to their fullest extent.

The second phase of the Master Plan, issued in 1974, emphasized the continuing need to expand educational opportunity and the importance of increased flexibility and diversity in the system.

Growth Since 1965

Enrollments

Undergraduate enrollment has increased substantially in the public collegiate sector over the last decade, as shown in Table 1. Enrollments at Rutgers and the New Jersey Institute of Technology increased by 61% and at the state colleges by 161%. There were no public county colleges in operation in 1965-66; however, enrollment in the 18 county colleges which have opened since 1966 has grown to 90,573 full and part-time students. The independent colleges, however, have not grown during this time; undergraduate enrollment at the four-year institutions has declined approximately 3% while the two-year colleges have experienced a 69% decrease in total enrollment since 1965.

TABLE 1

UNDERGRADUATE ENROLLMENT TRENDS IN NEW JERSEY, 1965-75[a]

Sector	1965-66	1975-76	% Change
Public			
Rutgers/NJIT	23,759	38,188	+ 61%
State Colleges	27,904	72,927	+161%
County Colleges	0	90,573	--
Total	51,263	201,688	+293%
Independent			
Four-Year	46,515	45,309	- 3%
Two-Year	4,199	1,304	-69%
Total	50,714	46,613	- 8%

[a] Figures include undergraduate full and part-time headcount students. Source: "DHE Data Brief, #13," New Jersey Department of Higher Education, (Trenton, 1975).

Expenditures

Over the last decade, the proportional increase in state expenditures in support of students and institutions has risen even more rapidly than ernollments. In 1965-66, the state appropriated just under $38 million to support the operations of six state colleges, the New Jersey Institute of Technology, and Rutgers University. In 1975-76, the legislature appropriated just over $162 million to support the operating expenses incurred by eight state colleges, Thomas A. Edison College, the New Jersey Institute of

Technology and Rutgers.[2] In 1965-66, no funds were allocated to support either operations at community colleges or independent institutions. In 1975-76, over $31 million was allotted from the state to county colleges to help meet operating expenses, while $6 million was distributed directly to independent colleges through specific programs designed to better utilize independent college resources.

Financial aid to students has also increased markedly over the last decade as new and expanded programs of undergraduate student grant aid have been implemented. In 1965-66, $4.5 million was distributed to State Scholarship recipients. A decade later nearly $25 million was budgeted for distribution to students through four major financial aid programs. An additional $3.5 million was allocated directly to institutions for programmatic support of students receiving Educational Opportunity Fund grants.

New Jersey residents are also eligible to receive subsidized loan assistance to meet the costs of attending postsecondary institutions. The New Jersey Higher Education Assistance Authority, created in 1959, guaranteed over $65.5 million in loans during 1975-76 as compared to just over $5 million guaranteed in 1965-66.

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[2] The appropriation to the public senior institutions in 1975-76 of approximately $162 million is a net appropriation which does not include tuition and fee receipts, and it represents only those funds appropriated in support of operations. When tuition and fee revenues are added to the operations appropriation, the operating budgets of the public senior institutions total just under $225 million. The total expenditure budget for these institutions, including all operations, federal and other source funds, comes to just under $308 million (capital and fringe benefits not included).

Current Financing

Institutional Support

In 1975-76 almost 87% of the state's higher education appropriation took the form of direct institutional subsidy, while just over 12% was allocated to student financial aid.[3] In terms of the public senior institutions, state appropriations for direct institutional subsidy accounted for 69% of general operations expenditures.

The budgeting formulas which are used to determine allocations for Rutgers University, the state colleges and the New Jersey Institute of Technology, focus on three components: Instruction and Departmental Research, General Support, and Physical Plant Operation. The first component currently covers over 50% of the formula resources allocated to each institution. The general support formula is the previous year's budget expenditures increased by a small percentage and distributed according to the number of students in each sector. Finally, the physical plant support formula utilizes several constant factors applied to custodial care, maintenance, utilities expenditures, campus security, and major repairs. Non-formula resources are also allocated for special projects and activities.

Subsidization of the county college system is shared by county and state government. The state allocates $600 per equated full-time student, based on the budgeted projection of expected county college enrollment, and also

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[3] Calculations do not include expenditures for debt service, or for fringe benefits carried in the state's central accounts. Also excluded are CMDNJ, the Veterinary Medicine Program and Schools of Professional Nursing. See Table 3 in Section III for background.

subsidizes the purchase of minor capital equipment, based on $20 per equated full-time student. To meet resource needs, the county contributes an amount equal to the difference between expenditures and the sum of state support and student charges.[4] The county provides bonding assistance for capital construction.

Undergraduate Student Grant Aid

Student grant aid is distributed through four programs, each of which is designed to assist a different category of students:

1. State Scholarships are distributed on the basis of academic merit and estimated family contribution. Scholarships are in the amount of $500 each and the number of grants awarded is limited to 5% of each year's high school graduating class. Many of the State Scholarship recipients attending New Jersey institutions also receive an Educational Incentive Grant if tuition is over $500. The maximum award under these two components of the Scholarship program is tuition or $1,000, whichever is less.
2. The Tuition Assistance Grant Program provides aid to students attending New Jersey's independent colleges. This student aid program supplements those programs which allocate funds directly to independent institutions. The program is designed to reduce the tuition differential between public and independent institutions and has a maximum award of $1,000 (State Scholarship holders are not eligible.)

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[4] Revenues from student tuition and fees at the county colleges are limited by the tuition ceiling imposed by the state Board of Higher Education. Upper limits are maintained by the state to insure open access to the county colleges.

3. The Educational Opportunity Fund provides awards up to $1,000 to students who are educationally disadvantaged and whose annual family income is $10,000 or less. (State Scholarship holders are not eligible.)
4. The County College Graduate Scholarship Program provides grant assistance to graduates of the two-year colleges who wish to continue their education at a four-year institution.

In general, while New Jersey's student grant aid programs have been generous--among the largest in the country--they no longer extend coverage to a number of income groups which by current standards should qualify. Also, the multiplicity of programs compounds the difficulty of their administration. Of greater importance, this same multiplicity leads to confusion and misunderstanding on the part of potential recipients. Finally, federal student assistance programs further complicate both the administration and understanding of the state's student grant aid programs.

Need for Reassessment

During the early 1970's several national education agencies and research organizations observed, studied, and commented on the growing financing problems facing postsecondary education. For example, extensive studies by the Carnegie Commission on Higher Education, the National Commission on Financing Postsecondary Education, the Committee for Economic Development, the Newman Task Force, and the Center for Research and Development in Higher Education at Berkeley made a number of forecasts which virtually mandated a reassessment of the future of postsecondary education and the state's role in its financing. The New Jersey Commission on Financing Postsecondary Education

was created in 1974 by the Board of Higher Education to address this mandate through the following charge:

"The Board believes that there is more than sufficient evidence that a number of critical factors affecting postsecondary education have so changed in recent years that it is doubtful that a mere continuation of present public policies will insure:

- open access to appropriate postsecondary educational opportunity for all citizens,
- institutional capacity to adjust to changing educational needs;
- an enhancement of educational quality at all levels;
- a socially equitable distribution of the costs of postsecondary education;
- maintenance of the stability of existing postsecondary institutions insofar as prudent, practicable and consistent with the public interest."

The Charge goes on to raise, among others, the following questions and concerns about the outcomes of present financing policies:

Access - To what extent do present student financial aid programs insure access to persons of all income strata? Do these programs insure equal institutional access, i.e., are high cost institutions beyond the reach of most students? Should financial aid to students be given independently of the institutions they choose to attend, to widen student choice?

Diversity - What are the existing fiscal patterns and models within the independent sector? How do these contrast to those of the public sector? What are the resulting differences in student access, choice, and educational quality?

Equity - At present, who pays for higher education and who benefits? What level of present educational costs are supported by tuition? Institutional aid? Student aid? Loans? How can we best consider the proper role, both in contributing and benefitting, of society and the individual?....

The Commission has addressed these and other questions and has put forth specific financing recommendations in the next section of this report. While present financing policies clearly have been successful in building a comprehensive system of postsecondary education in New Jersey in a relatively short period of time, these policies do not, in the opinion of the Commission, promise to maintain and improve that system in the future.

The present financing system tends to be institutionally oriented and activated; that is, it responds to needs and desires as identified by the institutions. The system, which consists of an elaborate process through which institutions seek to maximize their share of limited resources is inefficient, bureaucratic, and leads to an institutional infrastructure which lacks adaptability. It is not difficult to look to a future in which the major factors affecting postsecondary education will change so substantially that the present financing system will not encourage the institutional flexibility to respond adequately.

In addition, the Commission believes that the evolution of the system has been accompanied by the emergence of several problems too significant to ignore. Most notable among these are the inequities which result from present financing policies, the limitations on a student's viable choices among institutions, and the associated threat to a diversified system of institutions and programs.

Given these problems, solutions other than minor adjustments to short-term fluctuations are required; the Commission believes that substantial change in the present financing system is necessary regardless of what the future may hold.

Concerning the future, the best evidence available to the Commission suggests strongly that the years ahead will be so different from the recent past that significant changes in the financing system will be required. Clearly, the crux of the issue for the Commission has been to try to sort out the various factors which characterize or constitute the future setting.

In the following pages the various elements involved will be set forth. It is patently impossible to be precise about any one of these factors, and it would be misleading if any one was emphasized excessively. On the other hand the Commission believes it is necessary to present a composite picture of the future so that one can observe the potential impact of the interaction of the various factors present.

The Future

Enrollments

The different assumptions on which higher education enrollment projections for the next twenty years are based have been widely debated. The more traditional assumption is that changes in enrollment will simply reflect changes in the demography of the larger population, assuming continuity in past college going trends.[5] Other projections consider manpower requirements, the capacity of the labor market to continue absorbing

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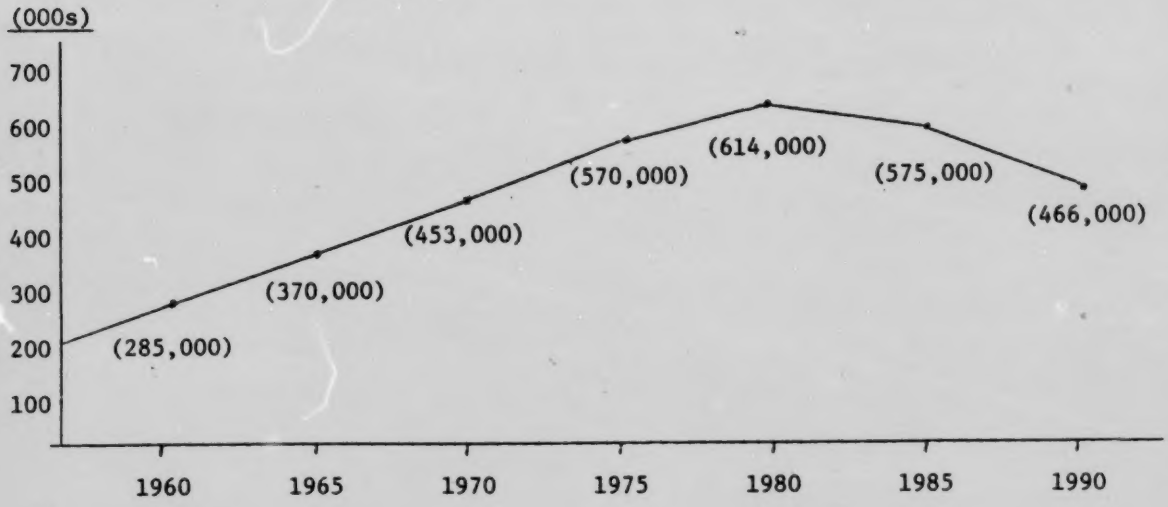
[5] For some examples, see New Jersey Commission on Financing Postsecondary Education, "Undergraduate Enrollment Projections for New Jersey Institutions of Postsecondary Education, 1976-1990" (Princeton, New Jersey, 1975); Carnegie Foundation, More Than Survival (San Francisco: Jossey-Bass Publishers, 1975) and A. Cartter, "A New Look at the Supply of College Teachers" Educational Record, 46 (1965), 267-77.

highly educated manpower, and increasing enrollments of non-traditional students in postsecondary education.[6]

In examining the demographic factors it is necessary to keep in mind that the traditional college age cohort, age 18-21, will remain a key to enrollment maintenance in the future. Demographic information on this age group indicates it will continue to grow in New Jersey until 1980 and then decline significantly until at least the mid-1990's. The 18 to 21-year-old population pattern from 1960 to 1990 is depicted in Figure 1.

FIGURE 1

NEW JERSEY 18-21 YEAR OLD POPULATION, 1960-1990



Sources: New Jersey Board of Higher Education, Goals for Higher Education in New Jersey (Trenton, 1970), p. 19; idem, A Development Plan for Higher Education in New Jersey (Trenton, 1974), p. 29.

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[6] For manpower, see S. Dresch, "Educational Saturation: A Demographic Economic Model" AAUP Bulletin, 61 (Autumn, 1975), 239-47; for labor market capacity, see J. Froomkin, "Changing Credential Objectives of Students in Postsecondary Education" (Washington, D.C.: United States Department of Health, Education and Welfare, 1974); for changing student population, see H.R. Bowen, "Higher Education: A Growth Industry?" Educational Record, 55(3) (1974), 147-58.

These data show that by 1990 the number in this key age cohort will be at approximately the 1970 level, and 24% below the 1980 peak.

The debate about the impact of non-demographic factors on enrollments is inconclusive. While some will argue that positions requiring a postsecondary education will exceed the number of persons available with appropriate training, most observors take the position that the supply of college educated persons will considerably exceed demand. Some contend that the mandate to achieve a postsecondary participation rate for women and minority groups equal to that of white males will cause increased enrollments. Still others argue that demands for non-traditional education and the need for retraining for alternate careers will more than offset the decline in the numbers of 18 to 21-year-olds.

The absolute validity of these different arguments cannot be ascertained, but the Commission believes that the skew will be toward some enrollment decline after 1980, although it will probably be less severe than indicated by simple demographic analysis. The Commission's recommendations, presented in Section II of this report, should help reduce the magnitude of any decline by seeking to extend postsecondary education opportunities to groups beyond the 18 to 21-year-old category.

After considering the conflicting evidence about future demand for postsecondary education, the Commission has concluded that no finite prediction can be made and that the most viable course is to make the financing system sensitive to enrollment magnitude and the characteristics of the various cohorts of potential students.

Available Resources

Much of the evidence available to the Commission suggests that real growth in total state expenditures is likely to be very slow, and may even be zero in the years ahead. As quoted in a recent Office of Fiscal Affairs report: "For New Jersey to maintain budgetary balance in the long run without frequent tax increases, which now seem difficult to obtain and sustain, state expenditure growth must be limited to 6% annually or one-half of the growth rate that has pertained over the last decade. Given the inflationary realities, virtually the entire dollar gain in state spending for the foreseeable future will be eaten up by rising costs."[7]

Further, it is likely that competition among social programs for limited state funds will intensify and that, as the expansion of the higher education system ends, its claims to an increasing proportion of available funds will not be as compelling as in the past.[8] Social programs with mandated increases and the recently passed "cap" bill[9] will combine to further limit postsecondary education's share of state funds. Finally, as legislators become more concerned with fiscal accountability, particularly under conditions of limited resources, the magnitude of the higher education budget will have to be justified by the services provided.

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[7] New Jersey, Office of Fiscal Affairs, Division of Budget Review, "The New Jersey State Budget: A Long-Range Projection" (Trenton, 1976).

[8] Presentation to the Commission by the Honorable Joseph P. Merlino, Assistant Majority Leader, New Jersey State Senate, September, 1975.

[9] The "cap" bill, Senate bill 877, was passed by the New Jersey legislature in 1976 and limits the rate of increase in state spending by operating department as well as limiting the growth in spending at the county level.

It is to be hoped that such views of the state's future fiscal condition and of the willingness of the state to provide real resources to support postsecondary education will turn out to be too pessimistic. However, even if actual outcomes prove to be more favorable, fiscal constraints are likely to continue to pose major problems for a system of postsecondary education that is in large measure dependent for its vitality on an expansion of the level of state spending. If institutions are to respond to changing educational expectations, the system must be altered to enable them to generate an increasing proportion of their total expenditure budgets from sources other than the state government. Institutions must also have the latitude to initiate changes in operating procedures which will result in more efficient utilization of their resources.

The prospects of limited resources in the future notwithstanding, the Commission's recommendations as put forth later in this report suggest more funding by the state than is currently provided. This is not surprising in view of the underfinancing of the postsecondary system that has characterized the last two fiscal years. The Commission believes that to perpetuate the present level of funding would result in serious deterioration of the system. The resultant negative effects on program quality, diversity and institutional accessibility, would undermine the progress of the last decade and reduce the educational program of the state to an unacceptable level.

Independent Institutions

New Jersey has been recognized by the Carnegie Foundation for the Advancement of Teaching for its leadership in providing support to

independent institutions.[10] As noted earlier, current state programs provide direct institutional subsidies, support for specific services, and tuition aid grants for New Jersey residents who are students in independent institutions. The support provided through these various mechanisms has contributed to an alleviation of the financial problems encountered by the independent institutions during the past few years. However, it is probable that these problems will be aggravated in the future because independent colleges will be forced to increase tuitions to meet rising costs while state aid remains relatively constant. The Commission believes in a diverse system of institutions which utilize available resources economically. This goal can best be realized when independent institutions are able to compete effectively in terms of price and academic offerings. The recommendations put forth in the next section are structured to provide this environment.

New Responsibilities

The New Jersey postsecondary system must also respond to the emergence of certain additional concerns. In all likelihood, these concerns will continue to grow in importance and the system will be held accountable for developing and coordinating programs and utilizing funds to deal with them in an effective manner.

One major area of concern is the decline in basic skills of high school graduates. Although it is reasonable to assume that this problem should be alleviated by the recent enactment of legislation mandating a "thorough and efficient" elementary/secondary education system, a significant number of

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[10] Carnegie Foundation for the Advancement of Teaching, The States and Higher Education (San Francisco: Jossey-Bass, Publishers, 1976).

underprepared students will continue to matriculate in postsecondary institutions for some years. If these students are to have equal opportunity to obtain a meaningful postsecondary education, special developmental services will be required and must be appropriately funded. While it is unclear what budget should have the responsibility for such funding, the state's policy of universal access suggests a substantial state commitment to provide the necessary interim funds for remedial programs.

A second area in which the postsecondary sector faces a growing responsibility is the retraining of individuals to improve advancement potential in current careers and to prepare for alternative careers. Initial occupation-related education has long been provided by the state's postsecondary education system, and the opportunity for advanced training and skills maintenance is also a legitimate function of the system. The Commission further believes that retraining to confront problems of skills obsolescence and of structural unemployment is a necessary and vital undertaking in which the postsecondary system can play a crucial role.

A third challenge to the postsecondary education system is the growth in demand for non-traditional programs. As the pressure for credentialization expands, as fewer people find it reasonable to acquire those credentials through traditional college attendance, and as educational technology enables meaningful learning to take place in other than a classroom setting, the demand for alternative educational procedures will increase. New Jersey has provided non-traditional educational opportunities for individuals through programs offered in many public and independent colleges and through the external degree program administered by Thomas A. Edison College. The response to these programs indicates the need for continued expansion in the future.

What is a Degree Worth?

Although postsecondary education is still considered a valuable asset to the individual, many observors, including some middle-class families, have come to doubt that the returns on a college education compensate for the high cost of a degree. In part, this fear is generated by the generally sluggish demand for skilled labor during recent years and by the overproduction of college graduates in certain specific fields, such as teaching in the primary and secondary schools. However, a number of economists argue that this decrease in returns to graduates is neither a temporary phenomenon nor limited to any one field. Instead, they claim it is a continuing trend generated by an increasing general oversupply of college graduates. In essence, it is argued that the number of college graduates will exceed the number of available jobs requiring a college education, that those unable to get "superior" jobs will have to take lower-paying jobs, that the enhanced competition among college-educated workers will lower their incomes relative to the incomes of those without a college education, and that the decrease in returns will diminish the demand for higher education.

It is difficult to evaluate this prediction. The supply of college educated persons is at an all time high, both absolutely and as a percent of the adult population. However, future demand for college educated persons cannot be predicted with certainty, either in terms of total demand or demand by types of skills. Furthermore, past predictions have often been wrong. In the past the development of more sophisticated technologies has greatly increased the demand for workers with skills beyond those acquired in secondary schools, and there is no reason to believe that the rate of technological advances will abate. However, it is not possible to predict whether

the increase in demand for workers with skills acquired through a college education will tend to outrun or to lag behind the supply of such workers, and we cannot predict which specific types of skills will be in greatest demand.

Despite these uncertainties, the Commission believes the ideal of universal access should be maintained. College graduates still begin in positions with higher salaries and earn more over a lifetime than those persons who have not attended college. The college degree also continues to provide expanded career opportunities to minorities and women. Similar benefits flow from education at other types of postsecondary institutions. Even if a smaller fraction of the population seeks postsecondary education in the future, access should not be denied to those who do.

The flexibility of the system and the ability of its institutions to adapt to future trends is dependent on a financing structure in which funds for postsecondary education are rationally allocated and effectively utilized. The changes that have occurred since 1965 and those that are antiicpated in the future have led the Commission to conclude that the alterations in the financing system recommended in the subsequent section are necessary to build on the excellent base that has been established to date.

The Next Decade

The Commission and its staff have spent almost two years examining and discussing the issues involved in improving postsecondary education in New Jersey. The focus of these efforts, as defined by the Charge, was the development of a more efficient and equitable financing approach for the state's support of postsecondary education. The Commission believes the recommendations which follow in Section II of this report achieve that goal.

The Commission realizes that its recommendations contain elements of risk and uncertainty. Many of the recommendations break new ground. The balance provide the means for improving on what is presently being done.

As the Commission reviewed its research on such questions as student access and choice, equity of financing arrangements, and perceptions of quality, it concluded that further, evolutionary changes in the state's financing policies for postsecondary education are necessary if the system is to respond adequately during the next decade to changes in the social, economic, and political environment. The recommendations of the Commission are designed to make the postsecondary education financing system flexible and capable of adapting to a number of emerging trends.

SECTION II

RECOMMENDATIONS FOR STATE FINANCING OF NEW JERSEY POSTSECONDARY EDUCATION

SECTION II

RECOMMENDATIONS FOR STATE FINANCING OF NEW JERSEY POSTSECONDARY EDUCATION

As described in the previous section, during the 1960's and early 1970's substantial progress was made in extending opportunities for higher education in New Jersey. But the changing economic, social, and political conditions will require the implementation of new strategies for financing postsecondary education in New Jersey. To provide a foundation for the development of such strategies, the Commission formulated the basic principles of a long-term financing plan for the postsecondary system. These financing principles form the guiding framework through which the state can most effectively achieve its goals of access to postsecondary education, educational flexibility and quality, equitable distribution of costs, and institutional survival in both the public and independent sectors in ways which are prudent, practicable, and consistent with the public interest. From these principles the Commission derived the financing strategies and implementation recommendations that are described later in this section.

Financing Principles for Postsecondary Education

Five basic financing principles form the foundation for the recommended long-term financing plan for postsecondary education in New Jersey. They are as follows:

1. The state should support its commitment to postsecondary education with resource allocations adequate to ensure continued progress toward accomplishment of the stated goals.

Not surprisingly, the period of great expansion in postsecondary education has been followed by nationwide concern about the relative priority of postsecondary education among competing demands for scarce public resources. The reasons for this are both complex and numerous and have been well identified by experts in the field of postsecondary education.[11]

As the first cornerstone for its financing plan, the Commission reaffirms the intrinsic value of postsecondary education both to individuals and to the larger society. In today's and tomorrow's world of rapidly accelerating change and increasing technological complexity, more and better postsecondary education is needed to prepare both young and old for their roles as responsible citizens in a democratic society. As stated in the goals set forth by the New Jersey Board of Higher Education:

> Never before has education been so necessary for the development of the individual and his participation in society, for it is through education that man acquires the capacity to deal effectively with complexity and change. Education enables a person to achieve more fully his potential as a human being, and is essential for understanding and participating in the social, political, economic, and cultural life of our society.
>
> Education benefits society as well as the individual. Our economy cannot operate without millions of highly educated persons. Our democratic political system is dependent on the responsible participation of educated men and women. The quality of our social and cultural life depends on the values and creativity of our educated citizenry.[12]

Thus, in spite of any shortcomings that might have developed in the period of rapid institutional and enrollment growth, the fundamental importance of the mission of postsecondary education remains undiminished.

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[11] Carnegie Corporation, "Annual Report," (New York, 1975), p. 3.

[12] New Jersey Board of Higher Education, "Goals for Higher Education in New Jersey," (Trenton, 1970), p. 9.

For this reason it is essential that adequate funding be made available to continue the progress toward accomplishing the stated goals for New Jersey's postsecondary education system.

2. The public resources available for postsecondary education should be allocated in the way most effective for providing access to appropriate postsecondary educational opportunities for all citizens.

This financing principle addresses the "first" goal established by the Board of Higher Education.[13] The goal of "access to appropriate postsecondary educational opportunity for all citizens" can be achieved through various opportunities. The objective is to ensure access to postsecondary educational opportunities for students with different financial capacities and varied educational capabilities and interests. This means much more than just the opportunity provided by the open enrollment policies of community colleges. This financing principle, for example, means:

a. Finances should not be a limiting barrier to program and/or institutional access for those academically qualified; students from low and middle income families should be given increased opportunity to attend higher cost public or independent institutions for which they qualify.

b. Finances should not be a limiting barrier for students who prefer postsecondary educational alternatives to the full-time traditional collegiate mode, be it part-time study or access to education in accredited or licensed non-collegiate institutions.

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[13] Ibid., p. 10.

c. Finances should not be a limiting barrier for the increasing number of older students seeking postsecondary education.

d. Finances should not be a limiting barrier for those who have completed the requirements of the secondary education system, and are enrolled in postsecondary institutions, but cannot perform college level work. Allocation of adequate public resources are needed to ensure an opportunity for success in postsecondary education. Public resources, therefore, should be allocated for appropriate remedial work to provide more opportunity for success in postsecondary education.

3. State funds should be provided in a way that will foster effective utilization of postsecondary education resources, diversity and flexibility in educational options, and educational quality.

Providing the means for greater diversity and flexibility of options for postsecondary education are objectives inherent in the goals established by the Board of Higher Education. Through effective utilization of a strong system of varied public and independent institutions the desired objectives can best be achieved.

The growing need to accommodate a wider variety of students and a broader spectrum of curriculum programs with more flexible and innovative educational delivery systems was described earlier. While striving to achieve this diversity and flexibility, efforts must be made not only to maintain but also to improve educational quality in the postsecondary system. Academic quality or excellence is well defined by the Board of Higher Education as follows:

> All concerned with higher education in New Jersey must strive to achieve and maintain excellence. Excellence here does not refer to the selectivity or level of a program or institution, but to the quality of performance, relative to the objectives an institution has set for itself...Each student in every program in every institution should expect to be challenged to the limits of his abilities and should be expected to respond to this challenge.[14]

The aspiration to achieve educational quality has still another dimension, that is, to encourage promising young people who now enroll in colleges and institutions in other states to pursue their higher education in New Jersey.

It is commonly accepted[15] that the goals of educational diversity, flexibility, and quality can be achieved together, and most effectively, through a system of varied healthy public and independent colleges, universities, and other educational institutions accredited by state, regional, or federal agencies officially recognized for that purpose.

Much concern has been expressed nationwide about the continued financial viability of independent institutions; their difficulty in competing for prospective students with public institutions is due to heavy state subsidies and consequent lower tuitions at the public institutions. As evidenced by the factual material presented in the previous section, New Jersey has not escaped the nationwide trend. While total undergraduate enrollments in public institutions increased in New Jersey more than threefold in the decade between 1966 and 1975, there were 4,000 fewer students attending independent institutions in

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[14] Ibid., p. 12.

[15] Carnegie Commission on Higher Education, Priorities for Action (New York: McGraw-Hill, 1973), pp. 29-30.

1975 than in 1966.[16] During this same time several independent colleges were forced to close for financial reasons.

The continuation of diverse educational options in the independent as well as the public sector in New Jersey is important both to students and to society, and for this reason some part of the public resources should flow to independent institutions in a way that most effectively promotes the total goals prescribed for postsecondary education.

4. There should be an equitable sharing of the costs for postsecondary education.

The costs of postsecondary education in New Jersey have followed the nationwide trend with significant increases during the last two decades; the rate of increase has exceeded rises in the national income and price levels.[17] Historical trends and prospects of still more increases in the future make it imperative to ensure that there be an equitable distribution of educational costs. In the past, two groups in New Jersey have shared the total costs for postsecondary education.

a. Students enrolled in public or independent postsecondary institutions and their families pay some share of the total costs of their education through tuition, fees and other college-related charges.

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16 New Jersey Department of Higher Education, "DHE Data Brief, #13" (Trenton, 1975).

17 Regents of the University of the State of New York, "Financing Higher Education Needs in the Decade Ahead" (Albany, 1972), p. 18. Department of the Treasury, Economic Policy Council, "The Economics and Finance of Public Higher Education in New Jersey." in 6th Annual Report. (Trenton, 1973), pp. 8-29.

b. All New Jersey taxpayers bear the remaining costs for postsecondary education and pay their share in several ways. A portion of New Jersey state and local taxes is used for the state and county appropriations for postsecondary education. In addition, a portion of the taxes paid to the federal government is used for federal expenditures on postsecondary education. Finally, individuals in New Jersey or elsewhere may share in the total bill for education through philanthropic gifts and bequests to institutions.

Because both the individual and society benefit from postsecondary education, there is a compelling argument for sharing the costs between the two; the reasons for such a position have been well articulated.[18] Some continue to argue that because of societal benefits, there is a case for no or little student and family sharing of postsecondary educational costs (the case for zero tuition).[19] But the Commission believes that at present and in the foreseeable future the goals established for postsecondary education can be achieved to the fullest degree only if there is a more equitable sharing of the total costs for postsecondary education between students, their families, and taxpayers through whom local, state, and federal appropriations for postsecondary education are derived.

Equitable sharing of postsecondary education costs means, therefore, that those with the ability to pay should and those who cannot afford

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18 Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill, 1973), pp. 79-83.

19 A. Ostar, "Effects of Raising Tuition." In Universal Higher Education, edited by L. Wilson and O. Mills (Washington, D.C.: American Council on Education, 1972), pp. 181-185.

to pay should not. In other words, those students and families with the ability to pay a major share of the costs of their education should do so. Those with more limited financial ability should bear a smaller share of the educational costs. And, while in most cases, all students should be expected to bear some part of the costs of education through work or contributions from family, financial barriers should not prohibit any student in New Jersey from access to the appropriate postsecondary option.

5. Financing strategies and mechanisms should encourage more effective utilization of resources allocated to postsecondary education.

To meet changing educational needs, all postsecondary institutions must be vital and adaptable. New Jersey's postsecondary financing plan should be structured to encourage institutional flexibility. According to the Board of Higher Education, the institutions "must be open to new techniques of teaching, research, public service, and institutional governance...(and) each institution in the postsecondary system must contribute to its maximum within the framework of the system if the state is to meet its educational goals."[20]

To follow this direction successfully, the state must maintain a proper balance between institutional cooperation and coordination on the one hand, and institutional initiative on the other. Each institution should strive to be more responsive to local and regional educational needs and concerns, and to identify how it can best achieve its objectives.

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[20] New Jersey Board of Higher Education, Goals for Higher Education in New Jersey (Trenton, 1970), p. 12.

One strategy, then, calls for more institutional diversity and autonomy. But greater institutional autonomy must be accompanied by greater acceptance of the responsibility to use public resources effectively. The reasons institutions must accept this responsibility are articulated in a report of the Carnegie Commission which urges that "higher education should undertake internally the constructive actions necessary to get more effective use of resources..." that can bring positive benefits to higher education.[21]

The nationwide trend toward greater public scrutiny of the performance of postsecondary education is predicted to continue.[22] Some call it a move to "accountability" which, as Stephen Bailey of the American Council on Education puts it, is "simply the legitimate requirement on the part of those who supply money that it be spent prudently and effectively."[23] The Commission agress with this requirement and believes the taxpayers of New Jersey deserve complete, current, and reliable data on financial plans and program cost analyses and more meaningful measures of actual academic performance against expected standards from postsecondary institutions receiving state funds.

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21 Carnegie Commission on Higher Education, The More Effective Use of Resources: An Imperative for Higher Education (New York: McGraw-Hill, 1972), p. 152.

22 Clarence Scheps, "Meeting the Demand for Accountability," NACUBO Professional File, 8(2) (March, 1976), p. 3.

23 Ibid., p. 1.

The Need for New Financing Strategies

The Commission has developed a series of recommendations which will enable New Jersey to achieve its enunciated goals for postsecondary education in the most effective manner. The recommendations presented incorporate a substantial change in the state's financing strategy for postsecondary education. A change is necessary to correct existing shortcomings that will become more acute in the next decade as the potential pool of traditional college-aged students decreases, and as educational costs continue to rise at the time when there is increasing competition for funds raised by state and local taxes.

The Commission's recommendations for changes in financing strategies do not reflect a decrease in commitment to the individual and social benefits of postsecondary education or to the need for greater progress in achieving the goals set for postsecondary education in New Jersey. In fact, the Commission sets forth a program which calls for a higher level of State appropriations to support postsecondary education now and in the future. Nevertheless, the Commission shares with others[24] the firm belief that adequate funding and continued public support of the State's postsecondary education objectives will be forthcoming only if there is more effective utilization of the public resources dedicated to the defined objectives.

In the United States, public financing strategies for postsecondary education differ primarily in the way available funds are allocated. The primary difference lies in the proportionate amounts of the total paid directly to students through a variety of student aid and subsidized loan programs. For the most part, amounts paid directly to institutions are

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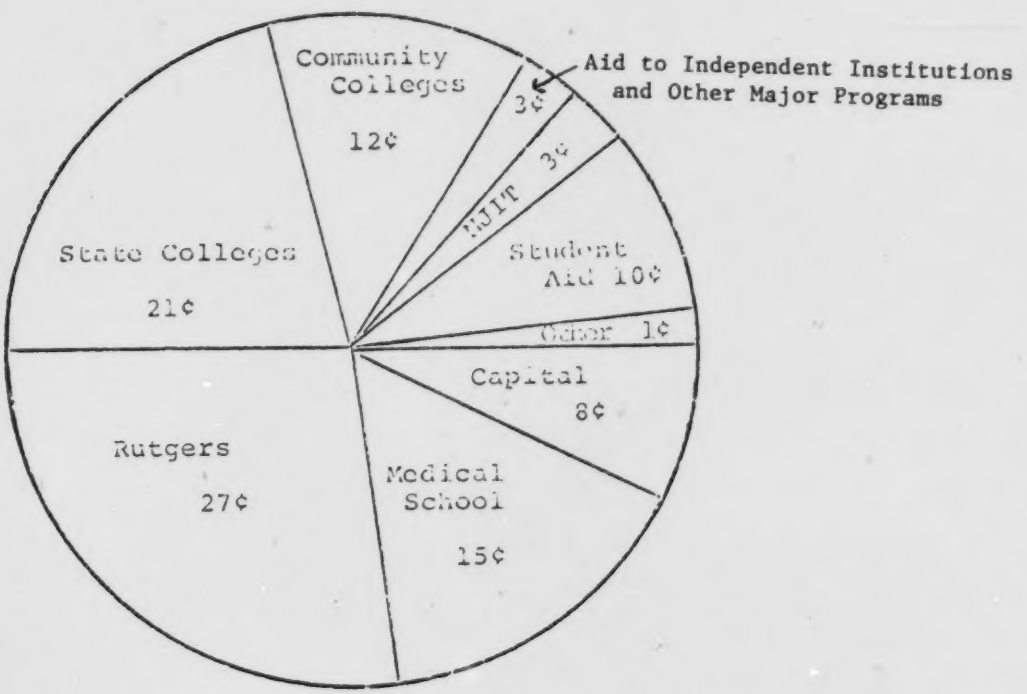
[24] Carnegie Commission on Higher Education, A Digest of Reports of the Carnegie Commission on Higher Education (New York, McGraw-Hill, 1974).

considered subsidies to offset institutional operating costs, thereby providing the means to reduce tuition and fee charges to students. Institutions, of course, also benefit indirectly from the various types of student aid and loan programs awarded to their students.

In New Jersey, the present state financing strategy emphasizes institutional subsidies, particularly to the state colleges, Rutgers, The State University, and the New Jersey Institute of Technology. The breakdown of state expenditures by category for higher education in the year 1976-77 is displayed in Figure 2.

FIGURE 2

DISTRIBUTION OF NEW JERSEY STATE DOLLARS
FOR HIGHER EDUCATION SUPPORT IN 1976-77



The Commission believes the present financing strategy with its emphasis on institutional subsidies to particular public institutions and a correspondingly smaller proportion going directly for student aid is not the most effective way of utilizing public resources to achieve the defined objectives.

In practice, the present strategy has several basic shortcomings. First, all students benefit equally from institutional subsidies regardless of the financial resources and needs of the student and his or her family. As a result, those students and families who could pay a greater share of their education costs are not doing so, thereby leaving less public money for student aid programs for those who have financial need. The situation is exacerbated by the absence of a progressive tax system in the state. Second, subsidies to public institutions enable them to establish tuition and fee levels considerably below actual educational costs; such levels are significantly below tuitions at independent institutions which currently receive very modest state subsidies. The results have been a widening gap in tuition charges between public and independent institutions, and a decline in enrollments at the independent institutions. These trends endanger the long-run financial viability of independent institutions.

Unfortunately, there are no accepted guidelines which delineate that proportion of State expenditures which should go for institutional subsidies and the portion which should be allocated as financial aid for students. However, the New Jersey experience with emphasis on institutional subsidies,

as well as studies made by experts in the field,[25] leads the Commission to recommend that a larger proportion of the state's expenditures be disbursed through student grant aid programs. A gradual shift in emphasis from institutional support to student financial aid is desirable whether postsecondary education in New Jersey operates under the current fiscal constraints or with a larger state appropriation as recommended by the Commission. This shift is also desirable whether the state retains its present tax structure or moves toward a more progressive structure as favored by the Commission.

Specifically, the Commission believes that an emphasis on student financial aid will provide a more effective means of accomplishing the goals set for postsecondary education in New Jersey for the following reasons:

1. Increasing the proportion of state funds allocated for student financial aid will provide greater opportunities for access to varied postsecondary education options for a broader spectrum of students.

   Whether state appropriations remain at current levels or are increased as recommended, an increase in the proportion of student financial aid means that indirect financial benefits accruing to high income families through institutional subsidies will be reduced substantially, and realized funds will be allocated for use by students with greater financial need. Making student aid available on the basis of

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25 Carnegie Commission of Higher Education. Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill, 1973). National Commission on the Financing of Postsecondary Education, United States, Financing Postsecondary Education in the United States (Washington, D.C.: U.S. Government Printing Office, 1973).

ability to pay, making part-time students eligible for aid, and allowing student aid to be used for non-collegiate postsecondary educational alternatives will enhance opportunities for access to a wider variety of postsecondary education options for a broader spectrum of students.

The specific recommendations presented later in this section describe the educational options and specific student needs to be served with increased student financial aid.

2. Increasing the proportion of state funds allocated for student financial aid will improve the competitive price position of New Jersey's independent institutions which should in turn enhance their long-run financial viability.

The state can most effectively assist independent institutions by increasing support of student aid programs and reducing subsidies to public institutions. The Council on Economic Development, the Carnegie Commission, and the previously cited National Commission all believe the tuition gap between the independent and the subsidized public institutions must be narrowed. Only by taking actions to reduce the tuition gap can New Jersey hope to maintain a diversified education system of public and independent postsecondary institutions. Such a system is needed to provide adequate opportunities for student choice in postsecondary education, because narrowing the tuition gap can provide greater motivation for public institutions to offer better and more effective educational services.[26] From the state's financing

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[26] J. Wish, W. de Vriend, and D. Dent, Granted Education (Eugene: University of Oregon, 1973).

standpoint, continuation of the independent sector is very important inasmuch as 37,000 New Jersey residents were enrolled in these institutions in 1975-76. Accommodating these students in public institutions would require significant capital investment to enlarge capacity as well as sizeable increases in annual state support expenditures.

3. Increasing the proportion of state funds for student financial aid will help correct inequities in the sharing of costs for postsecondary education.

The meaning and importance of equitable sharing of postsecondary costs have been discussed earlier in this section.[27] Inequities in the sharing of costs result for a variety of reasons under the present state strategy for allocating state postsecondary funds. First, large institutional subsidies enable public institutions to set tuition levels far below cost levels, and, therefore, the full educational costs are not distributed on the basis of the ability of the student and his or her family's ability to pay. Students from higher income families pay less than they are able to pay, while those from lower and middle income groups often pay more than expected under standard family contribution guidelines.[28]

The inequities are further compounded by the current policy for allocation of state subsidies to the three types of institutions in the public sector. The smallest state subsidy per undergraduate student is

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[27] See Principle #4, under "Financing Principles" in this section.

[28] College Entrance Examination Board and Brookdale Associates, "The Needs and Resources of Undergraduate Students in Postsecondary Education in the State of New Jersey, 1974-75." (Princeton: New Jersey Commission on Financing Postsecondary Education, 1975).

given to the county colleges (which also receive funding from the counties). The state colleges receive from the state a higher per undergraduate student subsidy, and Rutgers University still higher. This allocation procedure compounds existing inequities because lower income students, who are underrepresented in the postsecondary system in general, are more underrepresented at Rutgers than any other public sector. Rutgers also enrolls the highest proportion of students from higher income families. A smaller proportion of lower income students attend the state colleges than the county institutions. Comparing, then, the tax contribution made to postsecondary education with the benefits received by the various income groups, the data[29] indicate that the lower and middle income families earning incomes between $5,000 and $15,000 receive fewer benefits than costs incurred in paying taxes which support higher education, whereas the families whose incomes are below $5,000 and above $15,000 receive benefits which exceed such costs.

While the present regressive tax structure in New Jersey contributes to the inequities just described, a shift in state expenditures from large institutional subsidies to more direct financial aid to students will be an important step in correcting the situation. A corollary result is a more effective use of public resources.

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[29] New Jersey Commission on Financing Postsecondary Education, "An Analysis of the Benefits and Costs of Higher Education in New Jersey in 1975-1976" (Princeton, 1976).

4. Increasing the proportion of direct student aid will alleviate the current problem of social and economic stratification of postsecondary institutions in New Jersey.

The Commission's research clearly indicates that social and economic stratification exists in New Jersey postsecondary institutions in the sense that the number of lower income students is proportionately higher at the county colleges (those with lowest state subsidy) and proportionately lower at Rutgers (the public institution with the highest state subsidy) and at the independents.[30] The relationship between full-time student family income and institutional enrollments is shown in Table 2. While the reasons for institutional stratification by income group are both numerous and complex, financial barriers, particularly to the independent sector, are important in institutional choice by New Jersey students.[31] By placing greater weight on direct student assistance than on institutional support, the problem of social and economic stratification should be alleviated. By providing more state funding to aid those who need it (and less to those who need it less) opportunities for choice among postsecondary institutions will increase for low income students.

It must be acknowledged also that the recommended financial strategy, or perhaps any financing strategy, will probably not solve completely the related social problem of the disproportionately smaller enrollment

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[30] Ibid.

[31] College Entrance Examination Board and Brookdale Associates, "The Needs and Resources of Undergraduate Students."

TABLE 2

DISTRIBUTION OF FULL-TIME, UNDERGRADUATE STUDENT-REPORTED PARENTAL INCOME BY SECTOR, 1974-75

Income Group	Distribution of Enrollment by Income Group			
	Rutgers University*	State Colleges	County Colleges	Independent Colleges
Under $3,000	3.5%	4.4%	8.5%	3.2%
$3,000 - $5,999	4.8	6.4	6.6	5.6
$6,000 - $7,499	4.3	4.1	5.8	2.8
$7,500 - $8,999	4.4	6.6	6.3	4.5
$9,000 - $11,999	13.1	15.0	15.5	9.4
$12,000 - $14,999	17.5	18.7	16.9	14.3
$15,000 - $17,999	14.8	14.5	13.3	10.7
$18,000 - $20,999	12.2	11.7	8.7	11.0
$21,000 - $24,999	10.4	7.6	8.6	10.9
$25,000 and Above	15.0	11.0	9.9	27.6
	100.0%	100.0%	100.0%	100.0%
Mean Income	$16,380	$14,995	$14,058	$18,468
Median Income	$15,486	$14,166	$13,296	$17,860

* All campuses

Source: College Entrance Examination Board and Brookdale Associates, "The Needs and Resources of Undergraduate Students in Postsecondary Education in the State of New Jersey" (Princeton: New Jersey Commission on Financing Postsecondary Education, 1975), Table V-2, p. V-4.

rates of lower to higher income students in postsecondary education.[32] Although the Commission cannot predict with certainty the extent of favorable impact of its recommended financing strategies on this critical enrollment problem, the following points must be considered:

a. Shifting the emphasis in state expenditures in accordance with the Commission's recommendations should lead to lower tuition rates at county colleges, leave those at state colleges basically unchanged, and result in higher tuition at Rutgers and the New Jersey Institute of Technology.[33] At the same time, increased state student financial aid would be available to assist students from all families below the highest income groups in reducing tuition to be paid. In fact, the Commission's student aid strategy reduces tuition costs to zero for students from families with less than $6,000 annual income.

b. Implementation of the Commisison's recommendations to make part-time students eligible for student aid (often lower-income persons can only afford part-time attendance while working), to allow student aid to be used at non-collegiate postsecondary institutions, to equalize and increase state support to community colleges, and to identify and appropriately fund programs to address basic skills deficiencies should increase the participation of low-income persons in the postsecondary system.

c. It is difficult at the present time to accurately predict changes in the percentage of students from the different income groups who

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[32] See Tables A and B, Appendix I for supporting data.

[33] See Section III, "Financial Outcomes of the Commission's Recommendations."

will enroll in postsecondary education, or their enrollment patterns across institutional sectors. Several statistical "demand" studies have been conducted by economists in the last decade in order to isolate those variables which most affect a student's decision to enroll in a postsecondary institution, and the type of institution in which the student enrolls.[34] These studies have shown that family income, cost of attendance and amount of student aid awarded are major influences on the decision to attend college.[35]

The results indicate that low-income students have the most "elastic" demand (responsiveness to change in price and aid) because they have the least amount of financial resources available to them. A reduction in the effective tuition (actual out-of-pocket cost) encountered by low-income students through substantially increased

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[34] The most recent and relevant demand study was performed by Newton (1975), who analyzed the enrollment behavior of Oregon postsecondary students based on price, family income and student aid, among other variables. Radnor and Miller (1975) focused on family income, cost of attendance and student ability. Kohn, Manski and Mundel (1974) used cost and academic quality of institutions as demand variables. The data in the latter two studies was not current and did not reflect the proliferation of two year community college enrollments in the late 1960's. Also, according to criticism by Dresch (1975), such demand studies must be refined to include technological and labor market variables before they will be valid indicators of enrollment behavior.

[35] Many variables other than cost, student aid and family income can affect enrollment behavior. Institutional location, student perception of institutional quality, program options, recruitment efforts and admission policies, availability of appropriate information, and past student achievement are all examples of additional considerations which affect student enrollment patterns.

student aid should alter their enrollment patterns favorably. Whereas low-income students are currently under-represented in all sectors of New Jersey postsecondary education, their numbers should increase in all sectors. Also, since there are presently greater proportions of low-income students in county colleges (50% to 100% greater than in other sectors), with increased aid and lowered effective tuition a redistribution more equally across all institutional sectors could be expected.

The Commission is not suggesting an abrupt change in financing policy. Rather, the recommendations call for a general shift in direction for the future, a shift that should be made with a phased approach. The first phase of implementation would be adoption of the recommendations that are made in this report. An evaluation of the results of implementation should be made after five years of experience with the new programs. Only then can judgment be made about the advisability of further shifts from institutional subsidies to student aid programs.

In recommending that greater emphasis be placed on direct student assistance and less on institutional subsidies, the Commission is <u>not</u> recommending "full-cost" pricing, a voucher approach, a "free-market"

system, or any other sharp break from the past.[36] As stated previously, it is important to keep in mind that the recommended changes will permit the state to achieve its educational goals in ways more effective than the present system, given the present tax structure and probable levels of state appropriations in the future.[37] On the other hand, even greater equity could be achieved if the recommended financing policies were combined with a progressive tax structure. In addition, more rapid progress could be made in achieving the desired goals for postsecondary education if the higher level of state support for postsecondary education recommended by the Commission is adopted.

Today public policy-makers seldom have the luxury of choosing between completely right or completely wrong solutions; this is certainly true in the area of financing postsecondary education. The Commission recognizes that there are some potential, and some mistakenly feared, shortcomings in its financing strategies and recommendations. Included in these are the following:

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[36] Full-cost pricing is a funding approach in which all institutions set the price of tuition at the full cost of producing educational services, and the state distributes student aid to students who cannot meet the full cost of tuition. In this way, the most affluent students receive no subsidy from the state and less affluent students pay a reduced price. In a voucher system each potential student is granted a monetary entitlement, which may be used at any postsecondary institution of the student's choice; the state reimburses the institution for each voucher submitted. The amount of the voucher could be standard for all students or vary with student ability to pay. Vouchers are a means of maximizing student choice among institutions.

In a market system, the distribution of student aid and institutional subsidies is designed to provide incentives for institutional competition. A totally free market system would theoretically involve full-cost pricing and the elimination of the competitive advantages afforded to specific institutional sectors through direct institutional subsidy.

[37] See "Available Resources" in Section I; New Jersey Office of Fiscal Affairs, "The New Jersey State Budget: A Long-Range Projection;" and presentation to the Commission by the Honorable Joseph P. Merlino, Assistant Majority Leader, New Jersey State Senate, September, 1975.

1. A student grant program may be more difficult to administer than the institutional grant program.

Student aid programs in their present form often require more administrative handling than do institutional subsidy programs; the sheer number of grants as well as the process of handling application data, auditing, and making payments necessitates more transactions than the process of allocating grants to a small number of institutions. However, any saving in administrative costs through the present system of institutional subsidies is achieved only at the cost of making indirect grants to all students without regard to their resources and needs.

The Commission's recommendation to increase the upper income limit for eligibility of financial aid, while benefiting middle-income families, will increase considerably the total number of students applying for financial aid. On the other hand, the recommendations also provide for simplification of the student aid program by consolidating into a single aid package the multiple student aid applications that exist under the present system. The improvements which can accrue from the consolidation will offset, at least in part, the work involved in handling the increased volume of student grants. This consolidation, combined with the benefits accruing from the recommendations, far outweighs any disadvantages which stem from administration of an increased student aid program.

2. Some fear that the decrease in the proportion of public institutional subsidies will endanger the well-being of the public postsecondary institutions.

The concluding section of this report discusses the financial outcomes of implementing the Commission's recommendations. Although the proportionate amount of institutional subsidies to the total state expenditures for postsecondary education will decrease, the absolute dollar amount of institutional subsidies will increase under the Commission's recommendations.[38] The direct state support to county colleges will increase substantially in the aggregate, subsidies to state colleges will also increase, subsidies to the New Jersey Institute of Technology will remain about the same, and subsidies to Rutgers will decrease. In addition, the recommendations provide greater potential for the public institutions to increase their total operating funds through more flexible tuition pricing and through the right to keep externally raised funds without a corresponding reduction in state appropriations.

3. Some fear that the changes in institutional subsidies will result in increased tuition levels at public institutions, and, thereby, reduce access to postsecondary education.

As acknowledged earlier, shifting of appropriations from institutional subsidies to direct student aid undoubtedly will result in an upward shift of tuitions at Rutgers and the New Jersey Institute of

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[38] See Table 1 in Section III.

Technology for those able to pay. On the other hand, the tuition levels at county colleges should decrease, and tuition at the state colleges should remain virtually unchanged by the recommendations.[39]

Some believe, however, that the Commission should have recommended a move toward "zero" tuition policies for public institutions. Before reaching its conclusions, the Commission investigated and evaluated the impact of increasing subsidies to all New Jersey public institutions so as to reach the "zero" tuition level. It is instructive to consider some of the implications of adopting such a policy. First, it would markedly increase the total costs to the state. Under the recommendations put forth, the total effective tuitions at the public institutions paid by New Jersey students and their families would be approximately $59 million. If the state were to assume these costs, its total costs would thus be raised by at least $59 million above those indicated in the Commission's recommendations.

Adoption of such a policy would have other unfortunate results. It would greatly increase the tuition differentials between the public and independent institutions, thus threatening even more the survival of the independents. Even independent institutions that are efficient and can provide educational services at costs considerably lower than those at public institutions would be placed in a very uncompetitive position. The state could avoid such results by supplying additional funding to independent institutions through larger institutional grants or increased aid to students attending those institutions; either course would require substantial increases in state expenditures.

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[39] See Table 2 in Section III.

Further, the additional state expenditures required to support a zero tuition plan would result in a more inequitable distribution of the costs of postsecondary education. The New Jersey taxpayers, including those in the lowest income groups, would be bearing a share of the costs of educational services for students who are well able to pay all, or at least some part, of the costs. After costing out the total impact of this alternative,[40] the Commission concluded that "zero" tuition is neither a realistic strategy in these times of fiscal constraints nor an equitable or effective means for achieving the postsecondary educational objectives.

On balance, therefore, the Commission believes that the financing principles and strategies just described and the recommendations that follow offer the soundest approach to financing postsecondary education in New Jersey and to achieving the goals set forth by the Board of Higher Education

Recommendations

The financing principles and strategies just described can be implemented through the following seventeen recommendations.

In the first group, Recommendations 1 to 7, changes are proposed in the allocation of institutional aid for undergraduate and graduate programs, and the means by which state subsidies would be distributed to New Jersey colleges and universities are described.

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[40] See Appendix II, Table 13. This table indicates the aggregate expenditures by families under the Commission's recommendations. Under a zero tuition financing approach, the entire amount would be funded by sources other than families. If the state replaced families as the source of these funds only at public institutions, the cost would, as previously noted, exceed $59 million.

Recommendation 1: The state should provide to all public institutions equal subsidies for each undergraduate student enrolled in the same program category. At present a subsidy set at 60% of appropriate programmatic expenditures is recommended.

Recommendation 2: The distribution of direct state subsidies to the county community colleges should equalize public funding of those institutions on the basis of county taxing ability.

Recommendation 3: The state should promote an open door policy in the county college system with respect to financial access.

Recommendation 4: State financial support to New Jersey's independent colleges and universities should be continued, but be provided indirectly through financial aid to students attending these institutions.

Recommendation 5: The state should determine the extent of adademic skills deficiencies among students and allocate specific funds for remedial and developmental programs at the postsecondary level.

Recommendation 6: The state should support graduate education at public institutions through a combination of moderate institutional subsidy, a limited number of doctoral student fellowships, and an allocation of funds in support of separately budgeted research activities at Rutgers and at the New Jersey Institute of Technology.

Recommendation 7: The state should not undertake additional growth in permanent academic facilities capacity beyond those projects outlined in the Capital Needs Commission Report of 1975.

The second group, Recommendations 8 through 13, deals with student financial aid, covers policies and methods for calculating grant awards to students, and identifies those groups of students eligible to receive state grant and loan funds.

Recommendation 8: The state should establish a single undergraduate student grant aid program in which financial aid is awarded on the basis of tuition and fee costs and the ability of the student and his or her family to pay.

Recommendation 9: The state should continue to promote guaranteed student loans through the New Jersey Higher Education Assistance Authority, thereby assisting postsecondary students and their families in meeting college-related expenses.

Recommendation 10: Students who enroll at least half-time in an undergraduate degree or certification program should be eligible to receive state student grant aid.

Recommendation 11: New Jersey residents who matriculate in non-collegiate postsecondary education programs in any certified New Jersey institution should be eligible to receive state student grant aid.

Recommendation 12: A merit scholarship program should be established to supplement the need-based undergraduate student grant aid program.

Recommendation 13: New Jersey residents who pursue a postsecondary education in any other state should be eligible to receive state student grant assistance if that state has a reciprocal agreement on student aid portability with New Jersey.

A final set of recommendations deals with issues to which a financing plan for postsecondary education must be sensitive, but which are not directly related to institutional funding or student aid programs. Included therein are recommendations addressing issues of postsecondary counseling and the governance structure of the New Jersey postsecondary education system.

Recommendation 14: The Department of Higher Education should assume a leadership role in developing a statewide information dissemination system and a counseling and assessment system to facilitate student choice and student/program compatibility.

Recommendation 15: The state should enhance postsecondary programs through improved cooperation and the expansion of flexible educational systems.

Recommendation 16: Complete, current, and reliable information on financial operations including program costs and more meaningful evaluations of educational outcomes against expected standards should be generated cooperatively by the Department of Higher Education and the institutions.

Recommendation 17: The state should take action where possible to increase autonomy of postsecondary institutions in the public sector.

Recommendation 1: THE STATE SHOULD PROVIDE TO ALL PUBLIC INSTITUTIONS EQUAL SUBSIDIES FOR EACH UNDERGRADUATE STUDENT ENROLLED IN THE SAME PROGRAM CATEGORY. AT PRESENT A SUBSIDY SET AT 60% OF APPROPRIATE PROGRAMMATIC EXPENDITURES IS RECOMMENDED.

State institutional subsidies in support of instruction and general operating expenditures at the undergraduate level should be distributed to all public institutions in the state on the basis of equal support for students in like undergraduate program categories.[41] This distribution of subsidies promotes, from a state perspective, equal treatment of students enrolled in similar program categories regardless of the public institution attended. Therefore, the amount of per student state subsidy received by an institution in support of instruction and general expenditures at the undergraduate level will be dependent on the total enrollment and distribution of students among its various undergraduate academic programs.[42]

This recommendation would change the present allocation policy whereby the state reimburses the different sectors of public institutions according to differences in per student institutional costs for undergraduate education. Currently, Rutgers and the New Jersey Institute of Technology receive the largest state subsidy per undergraduate student, the state colleges a smaller amount per student, and the county community colleges (which also have county support) the lowest amount of state subsidy per student. The

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[41] Program category refers to level of student achievement, either lower division (first two years) or upper division (last two years) and category of study, either liberal arts or technical/scientific.

[42] Additional state monies will be provided to public institutions through "line item" support. These funds are channeled to institutions based on mission and specific activities not sufficiently supported through per student subsidies. Page 12 of Appendix II, the Cost Simulation Model, displays both existing and proposed line items.

result of the present allocation method is that students benefit from state institutional subsidies in different degrees depending on the institutional sector they attend. As discussed earlier, students from lower and lower middle income families receive less than their proportionate share of the state support, in part because they enroll in disproportionately higher numbers in the county colleges. In contrast, students from higher income groups receive a disproportionately higher share of state institutional subsidy benefits because they are overrepresented at Rutgers, which receives higher per student subsidies.

Under the proposed allocation policy of like support, the state would assume equal support responsibility for similar instructional programs regardless of institution, and is thus making the same investment for all students enrolled in similar undergraduate programs in public institutions. Recognizing the differing missions of the different public sector institutions, this recommendation is <u>not</u> suggesting that, for example, lower division English be taught necessarily with the same methods and emphases at Rutgers as at the community colleges. It is recommending equal <u>state</u> support, in terms of per student institutional subsidy, for students in English whether at Rutgers or a community college. Institutions would of course be free to set specific program expenditures at any level, reflecting their particular mission and priorities. Expenditures in excess of the subsidy amount would be funded primarily through tuition charges to students who would be willing to pay the incremental costs for the perceived educational quality differentials, or from other sources outside state government.

The complexities involved in administering a system of funding levels for each undergraduate program offered in public institutions would be substantial. Therefore, individual programs would be grouped into program categories.[43] The Commission recommends that the state initially provide 60% of appropriate programmatic expenditures[44] for each student enrolled in each program category without regard to institutional sector.

The level of state support provided to the various public sectors will change as a result of this recommendation.[45] State support to the county college sector, which in recent years has declined significantly as a percentage of the expenditures at these institutions, will increase under this proposal. The increased state funding augmented by maintenance of present county support will permit continuation of low tuition at the county colleges, which is congruent with the notion of an open door sector (see Recommendation #3). Another aspect of state support of county colleges, discussed in Recommendation 2, deals with the state's role in the equalization of county funding among county colleges. Under the recommended policy the state subsidies to state colleges and the New Jersey Institute of Technology would be slightly more than present subsidies, while less subsidy would be granted to Rutgers for its undergraduate programs.

a. The state's institutional support program should reflect the impact of inflationary and uncontrollable institutional cost increases. The

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[43] For a listing of the twelve suggested program categories (5 undergraduate and 7 graduate), see Appendix II, Table C.

[44] Programmatic expenditures is roughly equivalent to the general accounting category known as Educational and General Expenditures.

[45] For a comparison of the proposed system with the present system, see Section III.

experience of recent years leads the Commission to note that the total state appropriation for postsecondary education must increase with inflationary cost increases though not necessarily at the same rate. The state should not be expected to offset cost increases that are subject to control by a recipient institution. However, if the state does not increase its support enough to offset cost increases beyond the control of the recipient institutions it will, in effect, reduce the level of its real support and jeopardize the achievement of educational goals.

b. The state's institutional support formula should reflect the marginal cost changes associated with modest enrollment fluctuations. Although marginal cost analyses are difficult to perform, the Commission believes it is vital that the support formula be refined to employ marginal rather than average cost figures. Formulas for the support of postsecondary education have relied on average cost assumptions in calculating the amount of funds public institutions need to operate. Base year and subsequent year resource requirements have been established on the basis of new programs, cost increases, new policies, and enrollment changes. The adjustment for enrollment changes assumes each additional student requires the same resources as the preceding student. This is simply not an accurate representation of the situation.

During periods of growth, postsecondary institutions realize certain economies, as do other operations. It is highly unlikely that a 10% increase in enrollment requires an institutional expenditure curve that is expanded by 10%. But it is equally unlikely that a 5% enrollment decline enables an institution to reduce its expenditures by 5%. The Department of Higher Education should examine the impact of modest enrollment and programmatic shifts, and calculate the marginal costs associated with these shifts.

Recommendation 2: THE DISTRIBUTION OF DIRECT STATE SUBSIDIES TO THE COUNTY COMMUNITY COLLEGES SHOULD EQUALIZE PUBLIC FUNDING OF THOSE INSTITUTIONS ON THE BASIS OF COUNTY TAXING ABILITY.

The intent of this policy is to guarantee that for each unit of county tax effort[46] the combined resources provided by the state and the county are equal across all counties. In order to attain this goal, the state's contribution to the county colleges must be sensitive to the varying abilities of the counties to make their contribution. A formula which promotes such sensitivity would neither prescribe the county tax effort nor set expenditure levels at county colleges.

The state, the counties, and students have shared in providing almost all revenues to the county colleges. The state's contribution, however, has remained constant at an absolute level of $600 per student. Although the tuition level has risen over time, the counties have provided the major incremental support as the cost of operating the colleges has escalated. The level of state support may be inadequate, but a more important concern is the fact that state funds are allocated without regard for the burden placed on the county in raising its contribution. The problem arises because the counties generate revenue through taxation of property and the amount of property per student which can be taxed varies widely across counties. In fact, the range of county taxable property wealth per student is large, varying from under $1 million to over $5 million. In contrast, revenues raised from state and student sources are relatively constant across all counties due to a fixed per student state support level and a state mandated tuition ceiling which has been approached, if not reached, by most county

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46 Tax effort is the millage rate needed to generate total county higher education appropriations, given total county property value.

colleges. The actual disparity in taxable property implies that the wealthiest county could tax itself at one fifth the rate at which the poorest county would need to tax itself and still expend a similar amount per student.

One of the objectives of the state is to promote an equitable means of financing postsecondary education; a system which favors certain counties by ignoring the differential effort being made by each county conflicts with this goal. The Commission believes it to be inappropriate for the state to provide an identical amount of state support to two counties which raise different amounts of money even when they make the same effort. Similarly, it would be inappropriate for one county to lower its expenditures or raise its tuition in order to avoid having to make a greater tax effort than another county. Decisions about county college expenditure levels and tax rates should be made at the county level and such decisions should not be distorted by actions of the state.

Once the state becomes a partner with the county in providing support to county colleges, the two should share in promoting the distribution of equal rewards for equal efforts made by counties.[47] As a condition for such a guarantee, the state would require that the county raise either 25%[48] of the county college's expenditures or an amount not less than the county presently contributes, whichever is greater. Implementing such an approach

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[47] When the state became a partner in financing county colleges, it assumed the responsibility for providing adequate funding. Adequate funding levels must be determined by local county decisions, so variation in support levels should be solely a function of county willingness to allocate tax dollars to the county colleges. It cannot be dependent on variation in county property value.

[48] The implicit intent of the original county college legislation was that counties would provide 25% of operating costs.

to county college funding will result in different counties receiving different amounts of state funds per student although all counties would receive at least $600 per student, the present rate of state support. Since the tax base of the state is constant across counties, the state's contribution may vary by county in order to alleviate discrepancies which exist among county tax bases.

Of course, there are other ways to equalize public funding of community colleges. The one most consistently put forward is that the state assume full responsibility for funding. The Commission believes, however, that the counties should continue to share in the responsibility for the governance and, therefore, the funding of these colleges.

Recommendation 3: THE STATE SHOULD PROMOTE AN OPEN DOOR POLICY IN THE COUNTY COLLEGE SYSTEM WITH RESPECT TO FINANCIAL ACCESS.

Despite the overall increase in state funding of county colleges which will result from Recommendation 1, it is possible that Recommendation 2 will lead to higher tuitions at one or more county community colleges. The Commission believes that financial barriers to access should not exist in the community college sector. Therefore, it is recommended that the Board of Higher Education retain upper limits on allowable tuition charges at these institutions. At present, the evidence is that a maximum tuition of $500 at the county colleges does not form a financial barrier to access.

It is, however, at the upper limit of what is considered by experts to be an appropriately low tuition level.[49]

In addition to eliminating financial barriers, the Commission urges continuation of policies which ensure that all citizens who possess a high school diploma or equivalent or who are at least 18 years old have access to at least one sector of postsecondary education. New Jersey's open door policy for the county college system, espoused in the 1974 "Master Plan for Higher Education,"[50] has been widely implemented in terms of providing matriculation access to the county colleges; this is evidenced by the enrollment growth in that sector since the county colleges first opened in 1967. The 17 county college campuses and the coordinating Hudson County College Commission currently provide geographic access to almost all of New Jersey's adult population.

An important facet of the open door policy, and one which affects all postsecondary institutions, not just the county colleges, is providing those who enroll with an opportunity to succeed. Alternative financing policies, designed to correct deficiencies in academic skills through remedial programs, are described in Recommendation 5.

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[49] "Fact-File" of tuition and fee charges at representative colleges in each state for 1976-77 was used to calculate an average tuition and fee charge of $325 at two-year public colleges. The range of charges was from $90 to $700 (except in California, where tuition is free). Over one-third of the states charged between $350 and $450 tuition and fees, and only three states charged more than $500. Chronicle of Higher Education, (Washington, D.C., April 5, 1976), pp. 13-17. The average public community college tuition across all colleges in that sector was $250 as determined by the Carnegie Foundation for the Advancement of Teaching in The States and Higher Education (San Francisco: Jossey-Bass, 1976). W. Wallingham in Free Access Higher Education (New York: College Entrance Examination Board, 1970) used a $400 upper limit to define a maximum level for free access tuition.

[50] New Jersey Board of Higher Education, A Development Plan for Higher Education in New Jersey (Trenton, 1974), p. 40.

There must be reasonable financial limits to the implementation costs involved in the open door policy. Providing students access to postsecondary education for the purpose of exploring academic and occupational alternatives benefits both the individual and society. Yet, some limits on the state's commitment are needed. For example, the total number of credit hours taken by a student, the number of semesters enrolled, or the number of degrees in hand might be used to establish a cutoff beyond which state subsidy could be ended and the student should be expected to pay the cost of further study.

Recommendation 4: STATE FINANCIAL SUPPORT TO NEW JERSEY'S INDEPENDENT COLLEGES AND UNIVERSITIES SHOULD BE CONTINUED, BUT BE PROVIDED INDIRECTLY THROUGH FINANCIAL AID TO STUDENTS ATTENDING THESE INSTITUTIONS.

The health and viability of the independent institutions of higher education in this country have been the subject of considerable discussion and debate over the past few years. Independent institutions perform a vital public service, save the taxpayers money and provide high quality instruction and research.[51]

This Commission strongly recommends continuing state support of the independent institutions in New Jersey which have served the state well and are of generally high quality.[52] In New Jersey, residents of the state

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[51] For a concise presentation of this position, see John Silber, "The Private Contribution to Higher Education," Massachusetts, General Court, Education Committee, February 24, 1975; and idem, "Paying the Bill for College: The Private Sector and the Public Interest" The Atlantic Monthly, (May, 1975), pp. 33-40.

[52] A few states have been involved with court cases initiated by citizens' groups who oppose the allocation of public monies to independent postsecondary schools directly or indirectly. In 1975 the Supreme Court heard a case which originated in Maryland, and argued that aid to private schools is constitutional if a three part test is passed. This test includes the following components:

1) The law providing aid must have a secular purpose,
2) The effect of the law must not be to advance or inhibit religion.
3) The law must not foster "excessive entanglement" of government and religion.

comprise about 80% of the total enrollment of the in-state independent institutions. In only one state (Alaska) do state residents constitute a higher percentage of total enrollments in the independent sector.

The Commission recommends that all state funds flowing to independent institutions take the form of student financial aid and that present direct subsidies to such institutions be phased out over a three-year period. A student aid approach, as opposed to one of direct institutional subsidy for the independents, is responsive to three important goals contained in the charge to this Commission, which are:

1. to promote access to an institution of a student's choice without undue financial barriers;
2. to maintain and enhance the diversity of New Jersey's postsecondary education institutions and programs, and
3. to move toward more equitable treatment of students and families by providing state support on the basis of ability to pay regardless of enrollment at an independent or a public institution.

A fourth concern should be considered as well: forecasts of projected enrollment increases for the next few years and then a subsequent decline make it prudent for the state to encourage full utilization of present capacity in all sectors to avoid making plant additions that will become financially burdensome in the future.

It is clear that many independent postsecondary institutions are in considerable financial difficulty.[53] The reasons for financial problems are easily identified. Rising costs in most expenditure categories are met through tuition increases, which make it increasingly difficult for the independent institutions to compete on a tuition basis with the public colleges and to hold enrollment at sufficient levels. During times of inflation, recession, and increased concern about the value of a college education, an independent to public tuition ratio of over three to one has skewed student choice and seriously affected the health of the independent colleges. For the vast majority of these colleges, endowment income, alumni giving, philanthropic gifts, and federal support are simply insufficient to offset the revenue shortfall.

The state has recognized the severity of these problems and has moved in a comprehensive fashion to compensate for them. Independent colleges and universities in New Jersey are eligible to compete for state contracts, receive direct institutional aid for specific purposes,[54] raise capital with state assistance through the New Jersey Higher Educational Facilities Authority

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[53] According to Howard Bowen and John Minter, in Private Higher Education Washington, D.C.: Association of American Colleges, 1975, about 25% of the nation's independent institutions are in serious financial distress. In the Fiscal Year 1975, 34% of the nation's independent colleges and universities operated in the red, a figure which has increased each year for the past three years, as reported in the survey of the American Council on Education, "Staff Report on Institutional Financial Health" (Washington, D.C., 1975). Research performed by the Commission staff based on independent institutions in New Jersey reporting usable data tends to confirm the difficult financial position of these institutions as noted by the above-mentioned studies, as revealed in New Jersey Commission on Financing Post-secondary Education, "The Financial Health of American Higher Education," (Princeton, 1976).

[54] Cost of Education Grants are made to independent institutions on the basis of New Jersey residents enrolled in the previous year who received need-based student aid. State Program to Utilize Resource grants provide funds to independents based on the previous year's enrollment of New Jersey residents, by level (upper and lower division).

(a tax-exempt bond issuing authority), and benefit from state financial aid to students attending these institutions. Unfortunately, this state assistance has not eradicated the severe pressures facing the independent institutions.

Several methods used by states to aid the independents were considered by the Commission. If bonding assistance and special research contracts are excluded, the types of support mechanisms examined can be narrowed to three basic categories:

1. direct operating subsidies to institutions, usually based on enrollment (such as New Jersey's Cost of Education Grants) or on the basis of degrees awarded (such as the state of New York's aid to independent institutions--known colloquially as "Bundy" aid-- which has just been increased across the board);

2. special purpose grants (in New Jersey both independent college libraries and computer operations are supported in this fashion), and

3. financial aid to students enrolled in the independent sector.

The Commission believes the objectives of increased student choice and improved institutional health in the independent sector are met most effectively through student aid. If the recommendations which address the level of institutional subsidy to public institutions and the expanded student aid program are implemented, the independent institutions should be able to compete on the basis of price as well as academic programs.

A consolidated student aid program such as that proposed by the Commission in Recommendation 8 incorporates the concept of financial aid based on the tuition of the institution and the family's ability to pay, regardless of sector. The concern that keying financial aid to tuition levels at independent institutions may result in supporting a "life-style" at those institutions rather than the essential educational services leads the Commission to recommend that:

a. Financial aid awards to students who attend independent institutions should be limited to the maximum state support (institutional subsidy plus student aid) available to a student at Rutgers University. This "cap" should provide adequate aid to students, and consequently to their institutions, while concurrently preventing greater state subsidy from going to students in the group who attend independent institutions as compared to students at Rutgers.

Recommendation 5: THE STATE SHOULD DETERMINE THE EXTENT OF ACADEMIC SKILLS DEFICIENCIES AMONG STUDENTS AND ALLOCATE SPECIFIC FUNDS FOR REMEDIAL AND DEVELOPMENTAL PROGRAMS AT THE POSTSECONDARY LEVEL.

At present, the number of students enrolled in college who lack basic academic skills for postsecondary work, and the extent of their deficiencies, are unknown. Most public institutions have not collected precise data about skills deficient students to date. In an attempt to collect information about these students, the Department of Higher Education conducted a survey among the state's postsecondary institutions in 1976. Responses to the survey were inadequate and incomplete. Consequently, the Department has been exploring alternative methods of obtaining this information. The Council of County Colleges already has made an effort to organize a data collection effort in its sector by passing a resolution which calls for an annual in-depth analysis of the number of students requiring remedial or developmental services, types of programs currently available, and types of programs needed.

The limited information that is available for New Jersey postsecondary education suggests that the problem of skills deficiencies is extensive in all sectors.[55] If national statistics on persistence rates of skills deficient students are indicative of the situation in New Jersey, they suggest evidence of the need for substantial funding of remedial and developmental programs in the state's colleges.[56]

a. The Commission urges that the state adopt policies to curb the decline in achievement and to improve the persistence rate of skills deficient postsecondary students. The state may achieve these goals, at least in part, by establishing guidelines for remedial and developmental programs and by commiting direct state funds to support such programs.

Although there is no consensus on the types of programs that appear to be most successful, individual institutions should be encouraged to consider programs that include:

1. a core faculty which has volunteered to teach high-risk students;
2. an adequate counseling program to focus on self-concept development and career opportunities;

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[55] The Commission staff has been able to obtain rough estimates which indicate that nearly 50% of first-year county college students and over one-third of first-year state college and university students probably do not perform at expected twelfth grade reading, writing, and math levels. Also, see New Jersey Department of Higher Education, "A Survey of Basic Skills Assessment and Remedial Programs in New Jersey Colleges" (Trenton, 1976).

[56] It was found, for example, in a study of five postsecondary institutions in five states that 82% of students in special programs completed two semesters in contrast to a 70% completion rate for students who required special services but did not receive them. Over 60% of the first group returned for a second year in contrast to one-third of the latter group. About one-half of the original group in remedial programs completed two years of study. See J. Roueche and R. Kirk, Catching Up: Remedial Education (San Francisco, Jossey-Bass Publishers, 1973).

3. a limited selection of courses for college credit, (art, physical education, basic science) in addition to basic studies courses in reading, writing and math, and

4. a program "image" and student cohort group which creates a sense of identity but does not alienate students from the rest of the college.

b. The state's efforts to confront the problems faced by skills deficient students, currently addressed through the Educational Opportunity Fund Program, should be continued and broadened. The Educational Opportunity Fund Program at present takes an active posture in seeking out and directing minority and urban low-income students to postsecondary institutions. Once the student is enrolled, the Program provides special financial and academic support services. In essence, it is a program designed to promote access for and retention of those student groups who have historically faced substantial difficulty in participating in the postsecondary system.

It must be emphasized that the Commission's proposals do not imply a decrease in commitment to these goals. On the contrary, the Educational Opportunity Fund Board should be charged with continuing and expanding these outreach activities, as well as assuming additional responsibilities. While direct student aid monies would be granted through the uniform student aid program detailed in Recommendation #8, the Equal Opportunity Fund Board should be responsible for statewide oversight of each institution's remedial and counseling efforts for all skills deficient students in terms of content, quality, and performance. Also, this Board should be responsible for monitoring the progress of these students, and for the institution of summer sessions, tutoring programs, and other special focus programs as necessary.

The Commission believes that as long as it is deemed appropriate for public postsecondary institutions to continue to accept skills deficient students, the state should fully meet its responsibilities by providing funds for necessary remedial and developmental programs. The state's interest in funding such programs is two-fold. First, it is a poor investment for the state to subsidize students who matriculate in college but are unable to take full advantage of the opportunity because of skills deficiencies. Second, a lack of funding jeopardizes the state's goal of educational opportunity for its citizens; the open door policy should facilitate student retention as well as student admissions. There are alternative ways to subsidize remedial and developmental programs:

1. Students enrolled in remedial or developmental programs at public institutions could be counted for Full Time Equivalent funding in a separate, lower-division program category. Since small class size is an advantage in such programs and special support services (e.g., study skills laboratories, tutoring, testing and counseling) are required, the per student cost may be higher than costs for liberal arts programs.
2. Students enrolled in remedial or developmental programs at public institutions would be counted for FTE (full-time equivalent) funding in a regular, lower-division liberal arts program category. The institution would receive an additional sum per skills deficient student for special support services. Independent institutions would be allocated an incremental sum per skills deficient student equal to that at the public institutions.

3. Students still in high school could be tested and those with basic skills deficiencies would be granted vouchers which could be used at any postsecondary institution having a state approved remedial or developmental program.[57] The institution which a student chose to attend would be reimbursed an appropriate sum by the state for the submitted voucher.

Alternatives also exist for location; the state could fund remediation programs at all postsecondary institutions, at public institutions only, or at the county colleges only. The Commission feels that at present all institutions should be able to accept students with skills deficiencies. However, institutions accepting students not meeting regular admissions criteria must offer remedial programs to assist those students.

The length of time for which the state should be willing to provide funding for remedial and developmental programs must also be considered. The postsecondary system has traditionally not been responsible for correcting basic academic skills deficiencies, but is responding to the increasing need to do so. The Commission firmly believes that extensive remedial programming is not the province or proper mission of postsecondary education. In the long run, the financial responsibility for skills training belongs properly to the elementary and secondary schools, particularly now that "T & E" legislation has been passed in New Jersey. However, there is an immediate need to allocate funds for students with skills deficiencies who are accepted into the postsecondary system.

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[57] In conjunction with "thorough and efficient" provisions, the Commission recommends such testing continuously, with particular attention at present to a test given no later than spring of a student's junior year.

The Commission recommends, therefore, that:

c. Any policy which provides funds for remedial and developmental programs should include a clause which limits the allocation of such funds to an appropriate time interval.

Another dimension of time constraints on state support is related to funding individual students. As was stated in Recommendation 3, the state should establish a reasonable time limitation of financial support for each student in postsecondary education. This limitation should also hold true for students in need of remediation. Institutions should be required to monitor progress and audit student achievement. Credit hour or time guidelines should be reasonably established, taking into account both the time required for prematriculation remediation and regular coursework. In this fashion the "leakage" of resources can be kept to a minimum.

The Commission is recommending that a problem which currently exists be recognized and addressed. Students who need remediation should be identified, placed in appropriate programs with adequate support, and monitored by the enrolling institution. More information about the need for and results of remedial programs is required to justify requests by the Board of Higher Education for funding such efforts.

Recommendation 6: THE STATE SHOULD SUPPORT GRADUATE EDUCATION AT PUBLIC INSTITUTIONS THROUGH A COMBINATION OF MODERATE INSTITUTIONAL SUBSIDY, A LIMITED NUMBER OF DOCTORAL STUDENT FELLOWSHIPS, AND AN ALLOCATION OF FUNDS IN SUPPORT OF SEPARATELY BUDGETED RESEARCH ACTIVITIES AT RUTGERS AND AT THE NEW JERSEY INSTITUTE OF TECHNOLOGY.

The Commission believes that the financing policies for graduate education must be distinguished from those for undergraduate education. While the state has a responsibility for financing graduate education, its priority is slightly less than assurance of broad student access to an undergraduate education. However, quality masters programs at the state colleges should be fostered, and continued efforts should be made to ensure that Rutgers and the New Jersey Institute of Technology create and maintain excellent research capabilities and doctoral programs. To accomplish these objectives the Commission recommends that the following components of support be implemented. As in the case of undergraduate financing:

a. All public institutions should receive subsidy for graduate programs based on the principle of like support for like programs. However, the subsidy level for graduate programs should be lower than the corresponding level established for undergraduate work.

The Commission recognizes that, like some undergraduate programs, some graduate programs require a higher level of support than others. Therefore, institutional subsidies for graduate programs should be allocated on the basis of appropriate programmatic expenditures. Such subsidies should be distributed equally for students pursuing the same programs without regard to public institutional sector. The Commission recommends that:

b. Fifty percent of the appropriate programmatic expenditures be allocated as subsidy for graduate programs, as contrasted with 60% for undergraduate programs.

This differential is intended to serve several purposes. Since the benefits of graduate education, particularly at the masters and first professional degree level, accrue to the student in terms of increased income, and since individuals who hold graduate degrees tend to be more mobile than those who hold the baccalaureate degree, it is appropriate that the graduate student pay a larger share of the educational costs than the undergraduate student. The lower subsidy of public sector graduate programs provides a measure of stability for them without reducing the price to a level which is unrealistic when compared to the real cost of providing the program. Finally, the lower subsidy should promote a better balance between public sector and independent sector programs. Since there is no supplementary student aid provided to masters degree students in either sector, the higher tuition which will probably be charged by public sector institutions should reduce the price differential between the independent and public sectors. A higher graduate tuition level at public institutions has been viewed by the Carnegie Commission as acceptable because there is less cause for concern about differential opportunities for graduate students from lower- and higher-income families.[58] In addition, a more competitive pricing structure should permit students to select their institutions on the basis of program quality, thus promoting excellence in all institutions and a more efficient use of resources by the state.

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[58] Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill Book Co., 1973) p. 96.

c. Fellowships should be made available to selected students pursuing doctoral programs in public institutions. The Commission recommends that doctoral fellowships awarded on merit should be available at Rutgers and the New Jersey Institute of Technology. The number of these fellowships outstanding at any time should be at least 150 at Rutgers and at least 15 at the New Jersey Institute of Technology. The fellowships should be valued at $5,000, an amount sufficient to cover tuition and other costs incurred in pursuit of a doctoral degree, and should be renewable for up to three years.

The Commission believes these fellowships will serve several purposes. They will relieve highly qualified students of a good part of the costs associated with acquiring a doctoral degree. Because individual returns on doctoral preparation may be lower than returns from other graduate degrees, it is appropriate for the state to invest funds in students who have potential to make significant contributions to society through the advancement of knowledge. In addition, the availability of such fellowships should allow public institutions to attract highly qualified students and, in the long run, should improve the quality of the institutions in which those students work.

d. The state should allocate funds in support of separately budgeted research at Rutgers and the New Jersey Institute of Technology. Rutgers should receive an annual amount at least equal to that allocated in Fiscal Year 1976 ($2.5 million) and the New Jersey Institute of Technology should receive at least $.5 million, to be used to maintain excellent research capacities in New Jersey. Larger amounts should be made available if these institutions demonstrate that more funds are necessary to achieve their

objectives. Such funds are appropriate because "it is in the public interest to subsidize collectively the acquisition of new knowledge, especially that of a fundamental or basic character. Indeed, the benefits of basic research to society may be so great and so uncertain in character and extent that reliance on individuals' maximizing their own satisfactions may be exceedingly undesirable from a social point of view."[59] The intent of the Commission is to provide these institutions with sufficient funds for them to maintain stability in their research activities. It is hoped that building upon such a base, these institutions will become high quality research centers. As stated earlier, this report includes no recommendations about the separately budgeted research funding for the Agricultural Experiment Station or any funding for the College of Medicine and Dentistry of New Jersey (CMDNJ).

e. Institutions should identify the costs associated with graduate education as distinct from those associated with undergraduate education. The Commission recognizes the difficulties in separating accurately the functions and related costs of graduate and undergraduate programs. However, it is in the best interest of institutions, as well as students and the state, to develop more accurate, complete and current information specific to each of these functions. The fact that so little information exists about the resources needed for graduate education compounds the problem of identifying a sound financing program for that educational segment.

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[59] M. Nerlove, "On Tuition and the Costs of Higher Education: Prolegomena to a Conceptual Framework," Journal of Political Economy, 80 (May-June, 1973), pp. 178-218.

The Commission recognizes that its financing program does not provide direct student assistance to large numbers of graduate students in the public and independent sectors. In the public sector, the support plan for graduate education will still enable those institutions to charge tuition levels at a fraction of the full educational cost and allow fellowship recipients to obtain a graduate education at essentially no charge. Students in the independent sector who receive financial aid from institutional sources will continue to pay tuition at a discounted rate. The balance of the educational budget facing the majority of graduate students in terms of tuition charges and maintenance costs must be financed through loans or extraordinary family contributions. Since the majority of graduate students are independent (no longer dependent on their family for financial support), loans are the final resort of those with limited personal financial resources. The Commission therefore believes that loans should continue to be made available to graduate students.

The Commission is sensitive to the large loan burdens that graduate students may assume to finance their education. To minimize individual loan burdens, the Commission recommends that:

f. The state should consider a work-study program for graduate students. The primary goals of the work-study program would be to provide graduate students in New Jersey universities with an additional source of financial assistance, and to further the integration of learning and on-site work experience. Financial aid would be made available under this program by an expansion of part-time employment opportunities for graduate students. State funds would be allocated to institutions of higher education to enable them to support both on-campus and off-campus employment in the profit and non-profit sectors.

Recommendation 7: THE STATE SHOULD NOT UNDERTAKE ADDITIONAL GROWTH IN PERMANENT ACADEMIC FACILITIES CAPACITY BEYOND THOSE PROJECTS OUTLINED IN THE GOVERNOR'S CAPITAL NEEDS COMMISSION REPORT OF 1975.

The Board of Higher Education should reaffirm its belief that additional academic facilities should not be constructed.[60] This recommendation is made with the awareness that short-term enrollment increases at public institutions may exceed facilities capacity. This situation should be addressed through leasing of ancillary facilities and more complete utilization of the spaces in the independent sector.

The Governor's Capital Needs Commission endorsed a $66.4 million request for capital improvement in postsecondary education over the next five years.[61] The funds are not to be used for capital expansion, but for projects which (1) are essential to safety, (2) will save on operating costs or (3) are necessary to support existing programs or previously anticipated institutional growth.

In addition to these capital improvements, the state must consider the need for major repairs, renovations and renewal facilities.[62] Needs in these three areas have ostensibly been funded through the current budget formula, but funds have not been allocated for these purposes in recent years due to

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[60] An exception would be made for planned plant expansion, contractions, conversions or improvements mandated under the federal Occupational Safety and Health Act.

[61] Governor's Commission to Evaluate the Capital Needs of New Jersey, Research Report (Trenton, 1975).

[62] The term renewal is used to connote the alteration of space to make it usable for present and future purposes where physical requirements are different from those of the past.

cuts in the appropriations. A special line should be established in the budget for these purposes, and the amount of funds allocated should be determined by building age, depreciation rates, replacement costs, anticipated use according to the Master Plan and an inflation factor for construction costs.

A final issue in capital finance is the ability of self-liquidating (bond funded) facilities, such as residence halls and student unions, to continue paying for themselves. The Capital Needs Commission recommended that a special task force be appointed to deal specifically with this concern; the Commission concurs with this recommendation and believes that until that time any increased costs should be paid by the students, although the state will indirectly pick up some portion of those increases through student aid allocations.

Recommendation 8: THE STATE SHOULD ESTABLISH A SINGLE UNDERGRADUATE STUDENT GRANT AID PROGRAM IN WHICH FINANCIAL AID IS AWARDED ON THE BASIS OF TUITION AND FEE COSTS AND THE ABILITY OF THE STUDENT AND HIS OR HER FAMILY TO PAY.

During the past few years New Jersey has gained recognition as a leader in the development of innovative state student aid programs. Currently, the student financial aid system includes a scholarship program, a program designed to reduce the tuition differential between independent and public institutions (Tuition Assistance Grants), a program which provides support to educationally and economically disadvantaged students (Educational Opportunity Fund), and several other programs designed to meet specific public policy objectives. These programs have expanded to respond to the perceived needs of the student population.

The various aid programs were adopted at different periods to meet specific needs; in the aggregate they do not form a unified student aid system, and guidelines for aid eligibility are not consistent among the programs. For example, each program has a different maximum level of family income above which awards will not be granted. In addition, at least one program grants a standard award amount regardless of the degree of need. In this program if three students seek financial aid and two of the three meet the criteria for award eligibility they will receive the same amount of aid even though their need may vary widely. If the third student just fails to meet the award criteria, no aid would be awarded. The Commission believes a need-based student aid system must be more sensitive to the wide range of family financial circumstances.

An additional financial aid problem arises when students with similar financial circumstances attend the same institution and are treated differently. A student who is "educationally disadvantaged" may receive aid under the Educational Opportunity Fund Program which an academically average student would not receive at all or which is more than an academically superior student would receive under the State Scholarship Program. The Commission believes that once two students are accepted by an institution regardless of their relative academic standing, if their families' ability to pay is the same, they should receive the same financial aid award under the need-based program.

Still another concern about the present system of student financial aid programs is that they confront students and families with a number of different application and eligibility requirements. A recent study by the College Entrance Examination Board[63] clearly documents the concern of

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63 College Scholarship Service Student Advisory Committee, "What 250 Students Say About Financial Aid Problems," The College Board Review, 100 (Summer, 1976).

students, as have the student hearings held by this Commission's Student Advisory Subcommittee. The combination of federal programs, loans and varied state student aid programs also presents an administrative problem of considerable proportion to college and state officials. A single comprehensive state program of student aid should mitigate some administrative duplication and student confusion and frustration.

To provide a basis for understanding the proposed grant aid program, the essential principles on which it is founded are set forth below:

a. The state need-based grant aid program for students should be designed to offset tuition and fee charges only. At present and at least in the near future there will not be adequate state funds to provide for maintenance costs of postsecondary students (e.g. transportation, room and board, medical expenses). Current state student grant aid programs do not make awards sufficient to cover maintenance costs to any appreciable degree. Considering all needs to be met, the Commission believes that maintenance costs can be significantly accommodated through federal student aid programs, campus-based student aid (which low income students may apply toward maintenance in certain instances under the Commission's plan), and student loans.[64]

b. All students, except those from very low income families, should be expected to make some monetary contribution toward financing their education. The Commission believes that students should have some responsibility for the cost of their postsecondary education because they are a primary beneficiary

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[64] See New Jersey Commission on Financing Postsecondary Education, "An Analysis of New Jersey Educational Expenditures: The Current System and the Commission Recommendations" (Princeton, 1977).

of any investment made in education. All students should be expected to make the same contribution, except those from families with such limited financial resources that any student income should properly remain with the family. Since students should not be expected to work to an extent that might detract from their studies, the Commission recommends that the expected student contribution be $500 per year (under present conditions) but that amount may be reduced proportionately if the student is from a lower income family. Such an expectation is substantially less than the average amount of summer and term-time earnings which has been reported by students in New Jersey.[65]

c. In determining the expected monetary contribution to be made by the undergraduate student's family, the state institutional subsidy allocated in support of that student at public institutions must be taken into account. The Commission believes the allocation of financial aid should recognize the average amount of support placed behind undergraduate students through direct state subsidy to public institutions. These subsidies represent a form of transfer payment from the state to students attending subsidized institutions, and reduce what would otherwise be a family expenditure if such support were lacking. To adjust for these payments, institutional subsidies would be treated as income which accrues to the beneficiary family. This means that the average subsidy paid by the state to support instructional and general expenditures (excluding research) should be added to the gross income of the family before determining that family's eligibility to receive further

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[65] New Jersey Commission on Financing Postsecondary Education, "A Special Analysis: Family Financial Circumstances and Patterns of Financing a College Education." (Princeton, 1975).

educational subsidy through student aid. This procedure will reduce the inequities caused by similar support of all students in public institutions through institutional subsidies without regard to parental income.

d. Families of students who choose to enroll in relatively more expensive institutions should pay a larger proportion of the costs as the affluence of the family increases. The Commission believes that, where possible, the family contribution should bear a relationship to the cost of providing educational services. It is inappropriate to assume, as is presently done, that for every level of family affluence there is an absolute level of expected contribution which can be determined. Post-secondary institutions provide services at different prices and the students have different resources available. The contribution expected of the family cannot be accurately determined without consideration of both the price and the family's resources. To promote access and equity, the state should provide aid that reduces the price to a greater degree for families with less available resources. In this way, those with less resources pay a smaller proportion of the higher price of an expensive program and those with greater resources pay a larger proportion of that price.

e. The student grant aid program should employ a single formula for calculating the magnitude of the aid award. An acceptable methodology should be utilized in the formula to determine that portion of a family's income which is discretionary. A single formula should incorporate the costs of tuition and fees, an expected student contribution, and the institutional subsidy, if any, of which the student is beneficiary. These considerations should be combined with an assessment of the family's discretionary income

to determine the contribution expected from student's parents.[66] The amount of aid generated by the formula will equal the difference between actual tuition and fee costs and the calculated parental and student contribution. Thus, once the student, the parents, and the state have made their contributions, there should be no further resources required in meeting the costs of tuition and fees. (In fact and in practice federal student aid funds are of course available and a combination of student, family, state, federal and loan funds is necessary to meet the total cost of attendance which includes maintenance costs as well as tuition and fees.)

The Commission believes that the Uniform Methodology[67] should be utilized in determining the discretionary income of a family. Only families with discretionary incomes below $10,000 (which corresponds roughly to a gross income of $25,000 for a family of four), would receive student aid, and the amount of grant aid should rise as discretionary income falls. The magnitude of aid received will then be a function of several parameters and will differ according to the different combinations of those parameters. In no case, however, will aid be awarded on an "all or none" basis in which all individuals who meet a set of criteria receive a standard award while others who fail to meet the criteria receive no award. The Commission believes that it is appropriate for awards to vary in accordance with the wide range of circumstances typically encountered by students' families.

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[66] Discretionary income is the family's gross income minus taxes and standard budget allowances.

[67] The Uniform Methodology was developed by the National Task Force on Student Aid Problems, chaired by Francis Keppel and is utilized by the College Scholarship Service and American College Testing Service.

f. The state should establish a fund which allows campus aid officers to adjust student grant awards in light of special circumstances not recognized by the formula for determining state grant aid awards. Formulas, no matter how comprehensive, cannot take into consideration all factors which may impact on a family's ability to pay for postsecondary education. The Commission therefore recommends that a fund be established which can be drawn upon by campus aid officers to meet the needs of students with special circumstances. This fund would be administered centrally and aid officers would have drawing rights against the fund up to a specified limit. This limit might be based on the proportion of low income students enrolled at the institution, although grants from the special fund would not be limited only to low income students. The Board of Higher Education would specify the standards and procedures under which such a fund would operate.

g. The state should define the circumstances under which it will accept a student's declaration of independence from the family. The proposed funding system will be able to confront a multitude of student and family circumstances and provide appropriate aid from the state. The system, however, may be rendered less effective if large numbers of families can be relieved of their responsibilities through students' declarations of financial independence. Although there are circumstances under which students should be considered independent, those circumstances should be strictly defined to exclude cases in which families are simply seeking to reduce their obligation to contribute to the student's education. The Commission therefore recommends that students under the age of 21 be prohibited from excluding parental income data from their applications for student aid, unless special circumstances as defined by the Legislature are obtained.[68]

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[68] New York has adopted a similar stance in the administration of its major student aid program, TAP (Tuition Assistance Program), by limiting the special circumstances under which students can declare independence from family: if under the age of 23, they must be orphans and wards of the state.

Recommendation 9: THE STATE SHOULD CONTINUE TO PROMOTE GUARANTEED STUDENT LOANS THROUGH THE NEW JERSEY HIGHER EDUCATION ASSISTANCE AUTHORITY, THEREBY ASSISTING POSTSECONDARY STUDENTS AND THEIR FAMILIES IN MEETING COLLEGE-RELATED COSTS.

The Commission recommends the continued and increased support by the state of the New Jersey Higher Education Assistance Authority which guarantees the availability of loans to students for postsecondary education. Student loans are a pivotal element in any student financing plan because they can be an important vehicle in facilitating student choice, and because their availability is an insurance against financial barriers to access. State appropriations for grant aid are not designed to cover all college-related costs incurred by students; many students must borrow, particularly in order to meet non-instructional (maintenance) costs. It is necessary, therefore, to have a program whereby the state guarantees the availability of loans to compensate for shortfalls in student/family resources.

There are several loan programs presently in operation through which students and families may borrow, including the National Direct Student Loan Program (NDSL), the Federally Insured Student Loan Program (FISL), several special health and law enforcement programs at the federal level, a handful of private loan programs, and those loan funds which the institutions make available to their students. The focus of this recommendation is the Guaranteed Student Loan Program (GSLP) which is coordinated by the state through the New Jersey Higher Education Assistance Authority.

The Guaranteed Student Loan Program is by far the largest loan program currently in operation in New Jersey, with approximately $65.5 million lent to over 41,000 students during the fiscal year 1976. Private capital from commercial and savings banks, savings and loan associations, and credit unions

is lent to students whose applications are approved by their school and the state, as well as the lender. The principal and interest of the loan are guaranteed to the lending institution 100% against default by the New Jersey Higher Education Assistance Authority.

The Authority also operated a student loan reserve fund that serves as a "public window" in a special state effort to be a lender of last resort to students who can document three refusals from private lending organizations (approximately $500,000 was lent in this fashion in Fiscal Year 1976). The fund is also used to cover defaulted loans, and is presently depleted. The Commission urges that:

a. The state should appropriate sufficient funds to insure the adequacy and stability of the public window.

The incidence of defaults is considerably less in New Jersey than on a national scale. The primary reason for New Jersey's record in this regard is the existence of the New Jersey Higher Education Assistance Authority, which has clearly enhanced not only the participation, but also the collection performance of lenders, as well as the payback record of students. However, due to both flaws in current federal legislation and inadequate state appropriations, the effectiveness of the New Jersey Higher Education Assistance Authority is jeopardized, and the Commission believes it appropriate to recommend correction of applicable federal and state policy deficiencies.

Because of the disparity of reinsurance provisions under the Federally Insured Student Loan Program, on the one hand, and state guaranty agencies operating the Guaranteed Student Loan Program, on the other. there has been no incentive for states to continue their own guaranty programs. Yet there is

mounting evidence that states operating their own programs through a guaranty agency do so more effectively than the federal government. It is also clear that lenders prefer the promptness, directness, relative simplicity, and local nature of dealing directly with state agencies.[69] Up to the present, however, states have been reinsured by the federal government for only 80% of default losses, thus they have assumed 20% of the risk plus program operating costs and collection costs. Recent legislation at the federal level (the Higher Education Amendments of 1976) includes provision for higher reinsurance rates from the federal government to state guaranty agencies. The Commission strongly endorses this concept and recommends equal reinsurance to both guaranty and non-guaranty agency states.

The state should also continue to encourage private lenders to participate in the Guaranteed Student Loan Program. While private lending institutions in New Jersey have performed very well in this area, these lenders have recently tended to limit their student loan portfolio to minimum risk students. This has been true because of the rising level of defaults, increased declarations of bankruptcy, and the fact that lenders must provide extensive documentation of "due diligence" in collections. The Commission believes that substantial incentives should be provided to private lenders so they will continue to participate in the Guaranteed Student Loan Program. Incentives may take the form of increased opportunity for profit through raising the upper limit of the federal government's special allowance[70] or an interest formula based on prevailing installment loan rates.

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[69] For a discussion of the measurement of defaults, see Arthur Hauptman, "Student Loan Defaults: Toward a Better Understanding of the Problem." (October, 1975).

[70] The federal government presently pays a special allowance of from 0% to 3% to lenders in addition to the students' 7% interest payment. The allowance is set retroactively for each quarter.

Although the estimated future demand for loans cannot be determined with any degree of certainty, the Commission believes the loan demand will not increase appreciably under its proposed student financing plan. The Commission does not feel it necessary to ask private lenders to commit monies to a common state loan fund at this time. Although such a move would relieve them of processing responsibilities, private lenders, and particulary thrift institutions, express a continuing desire to deal directly with students in hope that a long term relationship will result. Should loan demand in years ahead exceed the supply of available funds, such suggestions as a state loan bank or an income contingent program should be reconsidered.

Recommendation 10: STUDENTS WHO ENROLL AT LEAST HALF-TIME IN AN UNDERGRADUATE DEGREE OR CERTIFICATION PROGRAM SHOULD BE ELIGIBLE TO RECEIVE STATE STUDENT GRANT AID.

This policy would extend eligibility for the benefits of state student financial aid grants to students other than those who pursue postsecondary education on a full-time basis. The state should not discriminate against students who do not reside on campus and who, for economic or educational reasons, are not full-time students. (Federal policy makes part-time students eligible for federal student aid.) From the state's perspective, this policy would treat all students equitably and would fulfill the state's goal of making postsecondary education accessible to those who might not otherwise be able to take advantage of its benefits.

In addition to the 140,000 full-time undergraduate students currently eligible to participate in New Jersey's student aid programs, a portion of the 90,000 part-time students would become eligible for financial aid

consideration under this recommendation. The policy would have significant impact at the county colleges where over one-half of the student population attends on less than a full-time basis. The Commission recommends that any student enrolled half-time or more (the normal equivalent of six semester credits or more) be eligible for consideration in the financial aid program. Implementation of the policy should provide incentives for increasing student enrollments, particularly among lower income individuals and adults who have had very limited access to postsecondary education.

Lack of financial aid support for part-time students under the current system often presents a financial barrier sufficient to prevent them from attending institutions of their choice, and for which they are otherwise qualified. The current system also limits the ability of institutions to achieve more efficient resource utilization and to generate supplementary income which would come from additional part-time students.

With enrollments of the traditional college age stabilizing and a decline in the total population of this age group predicted, it is wise to search for ways of supporting the type of student who may find it attractive to enroll in programs which are sufficiently flexible to meet personal needs.

Recommendation 11: NEW JERSEY RESIDENTS WHO MATRICULATE IN NON-COLLEGIATE POSTSECONDARY EDUCATION PROGRAMS IN ANY CERTIFIED NEW JERSEY INSTITUTION SHOULD BE ELIGIBLE TO RECEIVE STATE STUDENT GRANT AID.

Non-collegiate postsecondary students who are enrolled in state-licensed or accredited programs not affiliated with county or state colleges, Rutgers, the New Jersey Institute of Technology, or the independent colleges and

universities must currently depend on federal grants and loans as the only sources other than family to pay tuition and fee costs. Although New Jersey has traditionally been a leader in providing portable student aid grants,[71] students in state approved, non-collegiate postsecondary institutions have been excluded from state financial aid eligibility. The large number of students who attend proprietary and county vocational/technical institutions at the postsecondary level should be considered for state aid on the same basis as students who choose to attend traditional colleges.

There are more than 18,500 postsecondary students enrolled in a wide variety of occupationally-related proprietary schools in New Jersey, and an undetermined but significant number in county vocational/technical schools. The Commission believes the present aid system which makes these students ineligible for student aid is inconsistent with policies of access, choice, diversity, and equity.

The definition of postsecondary education has been expanded in recent years to include a wider range of institutions and offerings, most of which were created in response to local manpower needs and to student demands to be equipped with marketable skills. Many occupational programs offered in proprietary or area vocational/technical schools are not available in the collegiate sector. In addition, licensed and accredited proprietary schools and county vocational/technical schools may be more geographically accessible.

The current exclusion of these non-collegiate institutions originally stemmed from a concern about student aid funds flowing to profit making schools.

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[71] The State Scholarship Commission has allowed a maximum of 35% of the awards given annually to be taken out of state. Until 1975, student aid awards allocated through the Educational Opportunity Fund were also portable.

The validity of such concern today is questionable given the federal policy of permitting aid to be applied at these institutions. The Commission believes it is essential that the state postsecondary financing strategy be neutral with respect to the institution selected by the student so long as it meets certain quality standards.

Implementation of this recommendation will require further state review of non-collegiate institutions. Although proprietary institutions are currently licensed and accredited, the actual quality of instruction has not been evaluated.

a. To be eligible for participation in the student aid program, a proprietary school would have to be certified by a team appointed jointly by the Department of Higher Education and the Department of Education. The emphasis of the certification requirement would be program quality. Additional data on enrollments, placement and attrition also would be required on a routine basis. It is essential that the Department of Higher Education be involved in these processes, which is not presently the case.

The majority of non-collegiate institutions charge tuition and fees for the entire program rather than on the basis of credit or semester hours. Therefore, comprehensive program charges and the family's ability to pay should be the basis for calculating the size of the grant. However, a "cap" should be placed on the amount of grant aid which can be awarded to students in these institutions. Maximum awards might be keyed to the institutional subsidy allocated to the relevant program category (lower division, technical/scientific) in public institutions. This procedure permits some escalation as costs rise, but appropriately limits the expenditure of tax dollars on the basis of expenditures at the public institutions.

Recommendation 12: A MERIT SCHOLARSHIP PROGRAM SHOULD BE ESTABLISHED TO SUPPLEMENT THE NEED-BASED UNDERGRADUATE STUDENT GRANT AID PROGRAM.

The Commission believes that quality in higher education can be enhanced by rewarding the academic merit of students. To this end, a limited number of scholarship awards should be granted as an incentive to meritorious students.

The distribution of student aid based solely on merit has a long tradition in the financial aid community. Institutions first used "scholarships" to attract bright students who would enhance the academic reputation of the school. More recently the state's role in higher education has shifted considerably, and promoting access to postsecondary education for a wide segment of the population has received primary emphasis. Student financial aid programs reflect this by basing criteria for aid eligibility on the family's ability to pay rather than on student academic achievement. For example, the current State Scholarship Program in New Jersey is a merit program that also considers the family's ability to pay as a dual criterion in the awarding of financial aid. As a result, students with greater academic achievement, but less financial need than other students, may not receive a State Scholarship award.[72]

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[72] In a New Jersey State Scholarship Commission distribution matrix of students' academic indices and expected family contributions, cut-off lines are drawn at a minimum academic index and a maximum family contribution point. Students who fall outside the cut-off lines are of three kinds: 1) the first group has low academic indices but the same expected family contributions as aid recipients; 2) the second group has greater expected family contributions, but the same academic indices as those who receive scholarships and 3) the third group has low academic indices and high expected family contributions. The distribution matrix shows that many individual non-recipients have a greater academic index than many recipients and that other individual non-recipients have greater need than recipients.

This recommendation would eliminate ability to pay as a criterion for receipt of a merit scholarship grant, although the recommended scholarship program would be integrated into the total financial aid structure. Under the proposed grant aid system, awards are calculated on the basis of tuition and fee charges, family ability to pay and an expected $500 student contribution. The purpose of the merit scholarship would be to relieve the meritorious student of the student contribution regardless of any previous calculations. The award of a scholarship is thus a merit bonus targeted directly at high achieving students.

The scholarship grant will be restricted to resident students attending New Jersey postsecondary institutions.[73] Data compiled from the Student Resource Survey of New Jersey residents attending college out-of-state shows that a large number of New Jersey's most academically able students pursue their higher education in other states. An important objective of this recommendation is to reduce this outflow of talented individuals by providing them with appropriate incentives to remain in the state.

Recommendation 13: NEW JERSEY RESIDENTS WHO PURSUE POSTSECONDARY EDUCATION IN ANY OTHER STATE SHOULD BE ELIGIBLE TO RECEIVE STATE STUDENT GRANT ASSISTANCE IF THAT STATE HAS A RECIPROCAL AGREEMENT ON STUDENT AID PORTABILITY WITH NEW JERSEY.

The Commission believes that all states should provide grant aid to students who meet financial eligibility criteria, regardless of their choice of institutional setting. Therefore, the intent of this policy is to

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[73] The Department of Higher Education should define the term "resident students" on the basis of years of residence in New Jersey, evidence of matriculation at New Jersey secondary schools, or other criteria that can serve as a meaningful residency requirement.

encourage New Jersey to fulfill its obligation to students who seek postsecondary education out-of-state, and to encourage other states to provide aid to their students who wish to enroll in New Jersey institutions. Interstate student aid agreements should facilitate student choice and maintain the economic viability of the student assistance program. Positive educational benefits also accrue from the heterogeneity inherent in a student body with various geographic backgrounds.

Since New Jersey is the largest net exporter of students in the country, the implementation of a reciprocity policy would affect a large percentage of students who under present policies can carry a state scholarship to another state.[74] Given the state's interest in retaining tax generated resources within the state, the Commission believes that a financial commitment of unlimited funds to a portable student grant aid program is unrealistic unless reciprocity exists. Evidence also indicates the state's current portability policy might be abandoned in the near future because of rising costs and the increasing demand for aid. Therefore, any reciprocity agreement which is implemented at this time could smooth the transition from a percentage of awards limitation of portability to reciprocal portability.

The Commission urges the Board of Higher Education to continue its work with other states to develop reciprocal agreements. In a cooperative study under the aegis of the Education Commission of the States, New Jersey

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[74] A phase-in implementation would provide that those residents who currently attend college in other states and take New Jersey student aid monies with them would not be affected by this policy. Students who are entering their first year of college when the reciprocity policy is implemented, and all entering students after that, will be subject to reciprocity regulations. Reciprocity will apply to all student aid four years after the policy is implemented.

and several other states are currently studying such agreements. Arrangements should be sought with other neighboring states, particularly New York and Pennsylvania, which are major importers of New Jersey residents or exporters of their students to New Jersey. The Commission believes the state has an obligation to its students regardless of where they choose to pursue a postsecondary education, and such arrangements would provide students with appropriate institutional choice.

There are several methods for instituting reciprocity, including a total dollar limit adjusted annually, or an agreed upon number of awards which would be portable to a particular state. Although the concept of reciprocity mechanically complicates the issue of portability, it would appear that without reciprocity, portability will cease to exist in the few states which currently permit portable grants, a condition the Commission would consider undesirable. It must be stressed that by recommending portability with reciprocity, the Commission is not only seeking appropriate student choice, but is also seeking to guarantee no loss of revenue for the New Jersey postsecondary system. By requiring reciprocal agreements with a mechanism for equalizing the funds flow between states, the Commission believes student choice can be maintained without financial loss to New Jersey institutions.

Recommendation 14: THE DEPARTMENT OF HIGHER EDUCATION SHOULD ASSUME A LEADERSHIP ROLE IN DEVELOPING A STATEWIDE INFORMATION DISSEMINATION SYSTEM AND A COUNSELING AND ASSESSMENT SYSTEM TO FACILITATE STUDENT CHOICE AND STUDENT/PROGRAM COMPATIBILITY.

Despite the considerable efforts made by the Department of Higher Education and the postsecondary institutions, present mechanisms for communicating complete and relevant information to potential students are not working well. Based on findings in the survey "Needs and Resources of Undergraduate Students"[75] administered by the Commission, and on feedback from hearings conducted by the Commission's Student Advisory Subcommittee, it is clear that while adequate information about educational alternatives may be available, it is not reaching students consistently. The Commission therefore urges the state to address the need for proper information and student counseling about postsecondary alternatives through design of a more effective dissemination system. In addition to continuing to prepare information on student aid and the colleges, the Department of Higher Education should further respond to current needs by (1) operating a centralized agency equipped to actively disseminate relevant information on the broad range of postsecondary opportunities,[76] and by (2) sponsoring training and information seminars to assist counseling personnel on the secondary and postsecondary levels

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[75] The Commission surveyed New Jersey postsecondary students in order to gather recent information about their academic and financial backgrounds. The survey was conducted in Spring, 1975, under the joint sponsorship of the College Entrance Examination Board and the Commission. Over 31% of the 25,000 full and part-time undergraduate students surveyed responded. See New Jersey Commission on Financing Postsecondary Education, "Needs and Resources of Undergraduate Students" (Princeton, 1975).

[76] Edison College may be a vehicle with which to accomplish this. See Recommendation 15.

to become more effective in advising students about their choice of an appropriate program and the complexities of the financial aid process. This function is of particular importance to continuing the outreach efforts such as that currently conducted by the Educational Opportunity Fund Program. The EOF Board should be directly involved in the planning and implementation of these seminars.

Most importantly, the system should provide information relevant to the selection of a postsecondary institution. Student information needs focus on: (1) the decision to either attend a postsecondary institution or to enter the work force; (2) selection of a particular postsecondary institution and program; (3) costs of completing a particular program, and (4) eligibility for and types of available financial aid. This kind of information is best disseminated by a centralized agency which can provide cost figures and information about program offerings for all in-state institutions,[77] as well as information about financial aid from federal, state, and institutional sources. New Jersey might establish such an agency, as well as continue to make information available to high school students through seminars and workshops, "college nights" and other similar means.

Currently, a student request for information from New Jersey's post-secondary institutions about costs, financial aid, and program offerings may be answered with sundry aid application forms and confusing directions for completing them. The Commission discovered that a letter mailed from a "potential student" to 31 colleges did not always elicit helpful responses.

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[77] For a more detailed discussion of academic program evaluation, see Recommendation 16.

The letter supplied information about the student's high school status, SAT scores and personal background, and requested information about attendance at the college. Less than one half of the institutions responded with personal letters, and only one suggested that the student was probably eligible for a scholarship. Several of the institutions mailed financial aid pamphlets, but none gave information on types and amounts of aid which the student might expect to receive. A few institutions explained that eligibility for state and institutional aid is based on an analysis of responses to the Parent's Confidential Statement, although most of them simply mailed out some combination of federal, state, and institutional aid forms.

The Commission believes that too many students who seek admission or who are admitted to the collegiate institutions in the state do not have a real opportunity to explore and realize their alternatives. A solution may be found in expanding the potential brokerage role of a state-organized counseling and assessment system. Such a system could provide assessment of basic skills proficiency and of experiential learning. It could advise students for possible program fit and inform institutions about potential students. The system could also focus on advising older students who are seeking postsecondary education for retraining or who are seeking personal and social benefits from additional education. The system could assess the skills of these older students and inform them of appropriate institutions.

Recommendation 15: THE STATE SHOULD ENHANCE POSTSECONDARY PROGRAMS THROUGH IMPROVED COOPERATION AND THE EXPANSION OF FLEXIBLE EDUCATIONAL SYSTEMS.

The Commission urges that continued efforts be made to enhance educational opportunities available through the different facets of the postsecondary system. To this end the Educational Coordinating Council should play a more active role, postsecondary institutions in Newark should expand their cooperative efforts, and Edison College should continue to develop its program to provide greater opportunity to non-traditional students. Finally, an experimental project utilizing student aid vouchers could provide valuable insight into alternative methods for financing postsecondary education.

a. The Educational Coordinating Council should be given authority and commensurate responsibility for planning and coordinating areas of joint concern to the Department of Higher Education and the Department of Education. The Commission recommends that the Educational Coordinating Council be charged with defining the information needs in the area of vocational/technical education, collecting necessary data, analyzing issues raised, and recommending appropriate action. The Educational Coordinating Council, once fully staffed, should be instrumental in untangling issues of governance and coordination in the field of postsecondary vocational/technical education.

The flow of federal funds into the vocational/technical education system complicates coordination attempts because federal vocational education legislation designates the Department of Education as the "sole state" agency to oversee distribution of federal funds in this state. However, it is clear that the Department of Higher Education deals with such funds as does the Department of Labor and Industry. This overlapping jurisdiction

leads to obstacles to coordination which, in turn, could easily lead to costly duplication of facilities, programs and faculties. A recent study in New Jersey found that while "...a greater degree of coordination and cooperation (exists) between the systems at the county level than was anticipated,...certainly there should have been more, and in important instances such cooperation was woefully lacking..."[78] The Educational Coordinating Council should also explore the following issues:

1. cost per student (or some other common base factor) at the county colleges and area vocational/technical schools, by program
2. curricular similarity (or difference) of like programs at the county colleges and area vocational/technical schools
3. the job placement, performance and advancement of graduates of both types of institutions.

b. The 1202 Commission[79] should also act as facilitator in an effort to grant licenses to vocational/technical and proprietary institutions which would allow them to award the "Associate of Occupational Science" degree. Proprietary schools and area vocational/technical schools are licensed and accredited to offer postsecondary courses by the Department of Education.

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[78] New Jersey Educational Coordinating Council, "Report on Postsecondary Vocational Education" (Trenton, 1976).

[79] "Section 1202 of the Education Amendments of 1972 to the Higher Education Act of 1965 authorized states so desiring to designate a new or existing state agency as the recipient for that state's share of whatever funds might become available under Section 1203 for the improvement of comprehensive postsecondary education planning. The law mandated that such agencies had to be 'broadly and equitably representative' of all units of public and private postsecondary education, including vocational education and proprietary schools.

"Among the many kinds of activities undertaken by the various 1202 commissions have been: assessment of planning efforts, development of cooperative relations and comprehensive planning, development or expansion of inventories and/or data bases, and studies of educational and financial needs."

Carnegie Foundation for the Advancement of Teaching, The States and Higher Education Supplement. (Berkeley, Jossey-Bass, 1976) p. 52.

Students successfully completing these courses deserve recognition of accomplishment in a manner equivalent to that of their county college peers. If the courses in both community colleges and vocational/technical schools teach similar skills, there is no reason for a distinction to be made which handicaps equally competent students in the job market.[80] At present, there is evidence that students in this situation may go to Pennsylvania for a two week residency to obtain an Associate of Occupational Science degree after completing the majority of their course work in New Jersey. Another possibility is that students might later matriculate at a degree granting institution simply to obtain credentials which is a waste of time and resources.

The Commission is not recommending the granting of the Associate in Arts or Associate in Applied Science degree, since these degrees require a liberal arts component and certain accreditation standards which are inapplicable outside the collegiate sector. The Associate of Occupational Science degree being recommended by this Commission is awarded for skills attainment relating directly to job requirements. The Commission also recommends a policy of permitting joint degree granting authority between the appropriate county college and the area vocational/technical school in cases where a student at an area vocational/technical school wishes to pursue a degree with a liberal arts component.

c. <u>The Board of Higher Education should encourage continued expansion of interinstitutional cooperation in Newark</u>. The three public institutions in Newark should seek ways to improve the overall efficiency of operation.

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[80] Pennsylvania presently operates under a policy of equal degrees for equal achievement regardless of institution.

Because of Newark's dense and diverse population, there are appropriate differences in the missions of Essex County Community College, Rutgers-Newark and the New Jersey Institute of Technology. However, there are a number of areas in which interinstitutional cooperation could be beneficial to students and result in economies at the local and state levels without sacrificing institutional diversity. In a time of limited resources, the state must encourage efficiency in the use of funds. Although earlier efforts to improve cooperation in Newark have floundered, the Commission believes appropriate incentives can be developed which will result in meaningful cooperation.

First, a task force from the three institutions and the Department of Higher Education should detail the areas where savings can be realized, the magnitude of the savings, the steps necessary to realize the savings, and the inconveniences that will result. For example, certain basic programs might be offered jointly by the institutions, and faculty in common areas could be offered joint appointments. If classes are offered at more than one institution on the weekends, it may be possible to share facilities to save on plant operation expenses. It may also be feasible to develop shared library resources.

If agreements can be reached on how to cooperate in certain areas, a specific timetable should then be adopted, with the clear understanding that the state will not fund, after a reasonable start-up period, incremental costs associated with failure of the institutions to cooperate.

d. <u>The state should encourage the expansion of Edison College (among others) to serve the academic and counseling needs of an increasing number of non-traditional students</u>. Although Edison College has a brief history, its accomplishments to date and the increased need for programs for non-traditional

students in postsecondary education lead the Commission to recommend continued expansion of the effort. Edison College provides an innovative way to respond to the needs of older students with little or no prior postsecondary education experience, and is an effective use of state resources.

Edison College performs the functions of experiential assessment, certification of non-traditional postsecondary learning, and counseling students about institutional programs which are available and well suited to their particular needs. This approach gives appropriate credits to students who have learned through experiences and eliminates waste by reducing unnecessary courses the student must often take to obtain a degree.

There is little knowledge about the size and characteristics of the non-traditional population, the conditions that must prevail if these potential students are to enroll, or their particular programmatic needs. The Department of Higher Education should work with Edison College, employing the college's data base, to develop a more accurate profile of the non-traditional student for use by the entire postsecondary education community.

Edison's role might also be expanded to one of state-wide outreach and counseling. Under such an expansion, Edison would assume primary responsibility for information dissemination and for offering guidance to all potential students about postsecondary education programs, costs and financial aid. While other mechanisms can be developed to provide students with information to improve their decision-making, Edison may well be the most effective and efficient conduit (see Recommendation 14). Edison College, because of its experience and special focus, also has a unique opportunity to assist other institutions in considering curriculum changes which are required to effectively serve the non-traditional student. This potential should be realized through curriculum discussions between Edison College and other postsecondary institutions.

The state should consider implementation of a demonstration project in which student aid vouchers are utilized. The purpose of the pilot project would be to investigate and evaluate the results of the use of a voucher program in certain areas of postsecondary education. Should the results be favorable, the state might expand the voucher system and adopt it on a larger scale.

The Commission recognizes the experimental nature and the surrounding controversy of voucher programs. An authentic voucher program has never been implemented in this country although several feasibility studies have been performed during the last five years.[81] Vouchers provoked controversy as a possible threat to the stability of institutions and the job security of faculty and teachers. For these reasons, the potential benefits of an operating voucher system have never been truly evaluated. The theoretical benefits are so substantial in terms of efficient resource use and promotion of student choice that New Jersey should assume a leadership role in studying the effects of vouchers. The focus of this undertaking would be to enhance a student choice and to monitor carefully the student decision making process.

Although there are several areas in which a voucher demonstration could take place, two specific alternatives are recommended here for New Jersey's postsecondary system.[82]

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[81] The Alum Rock, California voucher demonstration (1972-76) was not considered an authentic voucher program because a set of restrictions were imposed on it: only public schools participated in the project, and teachers' jobs were guaranteed despite market demands. The U.S. Office of Economic Opportunity and the National Institute of Education also sponsored feasibility studies in Seattle, Washington: Gary, Indiana; Rochester and New Rochelle, New York; East Hartford, Connecticut and in seven New Hampshire school districts.

[82] For more detailed discussion of these alternatives, see New Jersey Commission on Financing Postsecondary Education, "Postsecondary Education Vouchers: The Case for a Demonstration." (Princeton, New Jersey, 1977).

Special Student Services Vouchers. A project might be designed for a sample student subpopulation of high school seniors in a few of New Jersey's urban cities. The student sample would be given vouchers to obtain counseling, testing and information services from contracted agencies organized specifically to provide these services.[83]

These agencies could also perform academic skills assessment for the state. Any high school seniors who exhibited deficiencies in basic academic skills would be notified by the state of their eligibility for a voucher which could be used as payment for remediation of developmental skills work in an appropriate setting. The purpose of this project would be to learn both how many students enrolled in remedial programs with a voucher who would otherwise not have continued their education.

Vouchers for Hudson County Students. A voucher demonstration in a county which does not have a county college campus could facilitate the enrollment of county students in postsecondary institutions. A demonstration at the county level would also be more controllable. A subsample of all high school seniors (except those above a specified income level) could be given vouchers to be used in payment for full tuition and fees in their chosen New Jersey postsecondary institution. The primary purpose of this demonstration would be to study the operation and effects of a voucher system in which few arbitrary or external constraints are imposed.

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[83] The Psychological Studies Lab at Steven's Institute of Technology, for example, provides general aptitude skills assessment testing, and vocational/psychological counseling.

Hudson County would be a viable site for a demonstration because 1) the Hudson County College Commission could serve as the voucher administering agency, 2) the county residents earn the lowest median family income in the state and 3) the county residents have completed the least average number of years of education in the state.

The implementation of either of these alternatives would allow an investigation into the effects of allocating monies directly to students rather than institutions. The principles on which the voucher concept is based are similar to the principles underlying many state student aid programs that facilitate student choice. Because the state's goals for postsecondary education focus on providing access and choice to the student, and vouchers are theoretically designed to accomplish those goals, the state should study more fully their potential impact on the system.

Recommendation 16: COMPLETE, CURRENT, AND RELIABLE INFORMATION ON FINANCIAL OPERATIONS, INCLUDING PROGRAM COSTS, AND MORE MEANINGFUL EVALUATIONS OF EDUCATIONAL OUTCOMES AGAINST EXPECTED STANDARDS SHOULD BE GENERATED COOPERATIVELY BY THE DEPARTMENT OF HIGHER EDUCATION AND THE INSTITUTIONS.

The nationwide trend toward greater public scrutiny of the performance of postsecondary education is expected to continue. As observed by Clarence Scheps, "Individual institutions within the states, more and more, are being held accountable in terms of cost analyses, information exchange procedures, forward planning, program budgeting,...and other devices."[84]

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[84] "Meeting the Demand for Accountability," p. 80.

Awareness of this trend is reflected in a report of the Rutgers University Faculty Subcommittee on Accountability which states: "The citizens of the State of New Jersey have the unqualified right to know what the University they support is doing and how well it is performing. This right to know goes beyond fiscal reporting....Accountability demands more than efficiency of operation. If the University is to discharge fully its responsibility to the public, the more difficult questions of the quality and effectiveness of the academic programs must also be addressed."[85] While the Commission applauds the intent of this statement, the requisite information is not yet provided.

The initial work of the Commission was handicapped because of the lack of adequate, reliable, and current information on postsecondary educational activity in New Jersey. Before the Commission could begin deliberations, research studies and surveys had to be undertaken to provide basic data about the present system, such as the relationship between enrollments and student income, the reasons for student institutional choice, costs and benefits accruing to New Jersey taxpayers, and the effects of present student aid practices. In addition, the Commission found a lack of meaningful measures of actual academic performance against expected standards, inadequate information on the costs of various programs and sufficient information about pressing issues such as the need for remediation of students. The Commission urges the adoption of better financial information and control systems and mechanisms for more effective measurement of actual academic outcomes against expected objectives, to ensure continued public and legislative support for postsecondary education.

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[85] "Report of the Committee on Accountability," New Brunswick, 1975.

a. All public institutions should use external certified public accountants to prepare public financial reports which display the sources and uses of all funds according to the accepted guidelines of the American Institute of Certified Public Accountants and the National Association of College and University Business Officers. The Commission believes that all public institutions in the state should have comprehensive financial statements prepared by external accountants. Such reports may seem somewhat difficult to complete because of the intricacies associated with fund accounting,[86] but they do provide detailed information on how public dollars are spent. The Commission believes that the development of complete financial reports in a standard form will facilitate meaningful interinstitutional comparisons, increase the level of understanding about financial operations of colleges and universities, and in the long run, serve the best interests of the institutions.

Currently most of the county colleges, the New Jersey Institute of Technology and Rutgers prepare financial statements according to the American Institute of Certified Public Accountants/National Association of College and University Business Officers guidelines.[87] But at present, these documents are not collected, analyzed and summarized for all institutions in the state.

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[86] The controversy surrounding the use of fund accounting principles continues, especially as it relates to financial reporting of postsecondary institutions. See Price, Waterhouse and Co., "Position Paper on College and University Reporting" (New York, 1975).

[87] American Institute of Certified Public Accountants, "Audit of Colleges and Universities" and National Association of College and University Business Officers, "College and University Business Administration" (Washington, 1975).

At the state colleges, state auditors prepare financial reports that are designed only to verify enrollments, report account balances and the receipt of goods or services for which disbursements were made. While these data indicate the accuracy of invoicing and accounting, they tell the reader nothing about the institution's operations and the actual application of funds as compared against expected uses.

The Commission believes institutional operations will be more understandable if the use of funds is reported by program. A summary showing how dollars were expended by major program areas and the proportion of those expenditures contributed by the state, county, student, federal government and other sources would be useful for interinstitutional comparisons. The Department of Higher Education might prepare annual statistical summaries of the financial reports submitted by public institutions, which highlight any obvious differences in expenditure patterns. These summaries could be broadly disseminated to enhance public understanding of the use of taxpayer dollars.

The Commission is aware of the administrative burden of complying with federal reporting requirements under both the Higher Educational General Information Survey (HEGIS) and other federal and state regulations. This already difficult situation should not be exacerbated by a massive state collection of information. The state could eliminate the collection of data not used for policy decisions, but it must have more data about program costs, students' basic skills deficiencies, students' in-state and out-of-state enrollment patterns, attrition rates, student income distribution, and age and degree status of students. In a time of limited public resources, definition of planned objectives and accountability for accomplishments and funds expended must be forthcoming. The state must have sufficient information with which to establish statewide priorities and measure stewardship of funds appropriated.

b. Formal evaluation of academic program quality should be conducted on a regular basis. Panels of educational experts, at least some of whom are from outside the state, should be appointed to evaluate the quality of instructional programs on a regular basis. This evaluation should be supplemental to the normal accreditation self-studies, and should include consideration of such areas as faculty competence, curriculum, student achievement, facilities, and expenditures. Evaluation of performance would be against plans set forth by the Department of Higher Education (including the Master Plan) and institutional statements of objectives, quality standards, and assessment criteria. The benefits of a formal evaluation process are to provide interinstitutional comparisons for use by students in making program choices, to provide feedback to responsible institutional officials on the strengths and weaknesses of programs, and to provide additional information to the state on the status of the postsecondary sector.

Recommendation 17: THE STATE SHOULD TAKE ACTION WHERE POSSIBLE TO INCREASE THE AUTONOMY OF PUBLIC POSTSECONDARY INSTITUTIONS.

Much is being written about the declining independence of institutions of higher education, the reasons for the decline, and the resulting problems.[88] In its work the Commission observed that New Jersey, along with many other states, has not escaped the trend toward greater state intrusion into institutional affairs. Understandably, this has resulted from the need for more effective coordination and utilization of vastly increased public funds allocated to postsecondary education.

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[88] John J. Corson, The Governance of Colleges and Universities (New York: McGraw-Hill, 1975), pp. 50-60.

By its charter the Commission was not authorized, and does not elect, to evaluate and to make recommendations on the overall governance structure for higher education in New Jersey. However, it does wish to pass along to the Board of Higher Education its observation that members of the Department of Higher Education as well as administrators in the public institutions are not completely comfortable with the conflicting intentions expressed in the 1966 higher education legislation and its subsequent interpretations.

It would be of benefit, therefore, if the Board of Higher Education reexamined the total governance structure in light of the current situation to identify a reasonable balance between centralized responsibilities and institutional autonomy.

With respect to its recommendations on financing postsecondary education, the Commission does recommend certain changes in responsibilities which, if implemented, would enhance achievement of educational objectives.

a. Public institutions should be permitted to establish their own tuition schedules, within broad ranges established by the Board of Higher Education, and to retain tuition receipts. Institutional program differentiation could be promoted if public institutions were able to develop and implement tuition schedules based on the objectives of the particular institution. The Board of Higher Education should establish minimum and maximum tuition levels and encourage the institutions to develop quality programs which can be priced competitively within the Board established ranges.

This change in policy would alter significantly the state's relationship with the state colleges. The state would not authorize specific expenditure levels and require that tuition receipts from these institutions be transferred to the Treasury. Under the Commission's recommendations, the institutions would be assured of a certain level of support and be free to generate additional revenues needed to maintain what they feel is an appropriate expenditure curve.

b. Funds raised by public institutions from external sources should not be used by the state to reduce its subsidy obligation. The present handling of funds raised from external sources as "offsetting revenue" not only reduces institutional fund raising initiative, but it also impairs the development of innovative programs and often conflicts with the intentions of donors.[89] Institutions should be encouraged to seek supplemental resources for the funding of programs the state may be unable or unwilling to support. Initiatives in these areas will encourage creativity among faculty and provide additional funds with which institutions may develop innovative programs. Special incentives for raising supplemental funds from outside sources are not necessary. Institutional authority to seek funds and employ them in a manner consistent with the wishes of the donor, the interests of the faculty, and the mission of the institution, without reducing the state's obligation, should have a positive impact.

c. New academic undergraduate programs should be reviewed with a minimum of delay. To facilitate new program initiatives the Board of Higher Education should institute a system of "provisional approvals" to permit the program to start before a comprehensive review is completed. The Commission is sympathetic to institutional concerns about the lengthy process of program approval by the Board of Higher Education, but recognizes the need for a thorough review of both new and existing academic programs to ensure that quality standards are met. The program review process should take a form similar to that employed by regional accrediting agencies when they examine an institution and place it in "correspondence" or "candidate" status; the program would be probational and subject to further review. Institutions

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[89] In the majority of cases, support from non-government sources is intended to improve the institutional financial position by supplementing, not supplanting, existing revenues.

with "provisional programs" would be required to inform students of the status of programs and to guarantee graduation in another program if permanent approval were not obtained. Although there are risks associated with this approach, the Commission believes that the resulting flexibility gained by institutions and the provision of adequate time for careful review of new programs by the state outweigh those risks.

d. Collective bargaining procedures and faculty personnel policies for public institutions should recognize institutional differences. The Commission believes that the public institutions of postsecondary education should vary in terms of mission and programs. Faculty requirements may be quite different in terms of age, instructional flexibility, research emphasis, degree of specialization, and other conditions of employment. In addition, the changing student composition of the postsecondary sector makes it necessary for each public institution to be as flexible and adaptable as possible to accommodate changes in educational needs. For all these reasons the Commission believes that collective bargaining agreements, faculty tenure policies, and other employment and personnel practices must recognize individual institutional needs. It should also be recognized that some policies and practices that are quite appropriate when both student enrollments and faculties are expanding rapidly may become inefficient and harmful to the quality of education when the number of students stabilizes or declines. In periods of general expansion, it is relatively easy through appropriate recruiting policies to achieve a desired faculty size and to maintain a desired balance of faculty by fields of specialization and by age groups. But more difficult problems arise when total student enrollments stabilize or decline. Under these conditions,

enrollments in some areas of study are more likely to decline absolutely, and there are fewer opportunities to adjust staff size and faculty balance by age and fields of specialization through recruitment policies alone. This should be recognized by institutions as they consider alternatives to tenure and other personnel policies.

SECTION III

FINANCIAL OUTCOMES OF THE COMMISSION'S RECOMMENDATIONS

SECTION III

FINANCIAL OUTCOMES OF THE COMMISSION'S RECOMMENDATIONS

The financial outcomes of implementing the Commission's recommendations are presented on the following pages. More specifically, the amount of state funds required to finance the recommended program is estimated, these expenditures are compared with state expenditures under the current financing system, and the financial impacts on students, families of students, postsecondary institutions, and the state are analyzed.

The analysis and findings are based on certain facts and assumptions, the most important of which are listed below; others will be mentioned at points where they are relevant.

1. Neither the data relating to costs under the current financing system nor those relating to costs under the Commission's recommendations include allocations for debt service and capital construction, which are carried in the budget of the Department of Higher Education, or the costs of certain employee benefits, which are carried in the state budget.
2. Student enrollments are not the same for the current financing system and the Commission's recommended system. For the current system, enrollments are those budgeted for Fiscal Year 1976 since actual allocations are based upon them. For the Commission's recommended system, enrollments are those actually counted in the fall of 1975 since allocations are in the form of entitlements.
3. The expenditures indicated are in current 1976 dollars.
4. Expenditures related to the current financing system are derived from the Governor's budget and the Board of Higher Education's budget recommendations for Fiscal Year 1976.

5. Expenditures associated with the Commission's financing plan are estimates of the funds required to adequately support its various recommendations.

6. None of the data presented includes federal funds in support of students and families or institutions; the availability and distribution of student loans are also not included.

7. A simulation model was developed to enable the Commission to estimate the impact of its recommendations and to assess alternatives. A brief description of the model, definitions employed and sample output from the model are presented as Appendix II.

A Summary Comparison

Table 3 presents a summary comparison of state financial support of postsecondary education under the Commission's recommendations with that under the current financing system. Under the Commission's recommendations, total state expenditures would exceed those incurred by the current financing system by $61.9 million, or 22.6%. Only three items under "special categories of aid" would be changed. These include an increase of $120,000 in state support for Thomas A. Edison College, $825,000 to finance doctoral fellowships at Rutgers and the New Jersey Institute of Technology, and $2,172,000 for a student aid adjustment fund.

The largest share of the incremental expenditures reflects the Commission's recommendation of greater emphasis on state aid to students. Over 80% of the incremental cost is incurred by increasing the funds available for undergraduate student grant aid. The plan calls for a 117% increase in the aid available to full-time and part-time undergraduate students attending traditional collegiate institutions, as well as an incremental expenditure

TABLE 3

STATE SUPPORT FOR POSTSECONDARY EDUCATION, FISCAL YEAR 1976[a]

Expenditure Category	Current Financing System[e] (000's)		Proposed Financing System[f] (000's)	
Grant Aid to Undergraduate Students				
Attending Collegiate Institutions[b]	$28,202	10.3%	$61,153	18.2%
Attending Proprietary Institutions	-		18,232	
Subtotal	28,202	10.3	79,385	23.6
Subsidy to Institutions[c]	192,270	70.2	200,001	59.5
Special Categories of Aid				
Thomas Edison College	380		500	
Agricultural Experiment Station[d]	7,166		7,166	
College of Medicine & Dentistry in NJ	41,760		41,760	
Dept. of Higher Education Administration	2,700		2,700	
Veterinary Medicine Program	80		80	
Schools of Professional Nursing	1,500		1,500	
Graduate Fellowship Program	-		825	
Student Aid Adjustment Fund	-		2,172	
Subtotal	53,586	19.5	56,703	16.9
Grand Total	$274,058	100.0%	$336,089	100.0%

[a] Neither column includes all expenditures for capital or fringe benefits for postsecondary personnel carried in the state's central accounts.

[b] Includes grant assistance to New Jersey students attending in state and out of state institutions and merit awards to New Jersey students attending in state institutions.

[c] Includes research grants and certain line item appropriations.

[d] Included for comparison only.

[e] New Jersey Budget, 1976-77, Fiscal Year 1976 Adjusted Appropriations (Trenton, 1976).

[f] Cost Simulation Model, Appendix II.

in excess of $18 million to provide similar grant aid to students attending non-collegiate institutions. The combined total of these allotments results in a 181% increase in student grant aid funds, which does not include financial aid to be distributed to undergraduates through the special adjustment fund or fellowships for graduate students. It is estimated that 23.6% of the funds expended by the state will be distributed through grant aid to undergraduate students, as compared to 10.3% distributed in this manner under the present support system.

State direct subsidies to postsecondary institutions would increase by $7.7 million, or 4.1%. The Commission's recommendations however will reduce the proportion of institutional subsidy from its current level of 70.2% to 59.5% of the total expenditures as shown in Table 3. State subsidies to institutions in the independent sector would be eliminated, those to the county community colleges would be increased by $33.8 million, those to the state colleges and the New Jersey Institute of Technology would rise slightly and those to Rutgers would be reduced by $22.1 million. However, these data reflect only a part of the total financial impact of the Commission's recommendations on the various classes of institutions; the total impact can be assessed only after consideration of the effects on tuition revenues, a major part of which will be provided indirectly through increased state grant aid to students.

Implications for Levels of "Full Tuition" and "Effective Tuition"

The implications of the Commission's recommendations will now be considered for the levels of "full tuition"[90] (the level of tuition and fees charged by the postsecondary institution) and the levels of "effective tuition" (full tuition charged minus state student aid granted). "Effective tuition" is also equal to the sum of the expected contributions of the student and the family. Thus, it is the "effective price" to the student and the family.

Adoption of the Commission's recommendations would lead to changes in the average level of full tuition and fees charged at the various types of public institutions from the level of those prevailing in the academic year 1975-76. The average full tuition at the community colleges and the state colleges would be reduced, while at the New Jersey Institute of Technology and Rutgers full tuition would increase. It is assumed that full tuition and fees at the various types of independent institutions would remain basically unchanged. However, at this point our primary interest is not in full tuition, but in "effective tuition."

Under the Commission's recommendations, every student except those from the lowest income groups would be expected to contribute $500. The expected contribution of the student's family above that expected of the student, is a function of both the amount of the full tuition and fees charged and the level of the family's discretionary income.[91] Only families with discretionary incomes below $10,000 (which corresponds approximately to a gross income of $25,000 for a family of four) would be eligible to receive student aid. The amount of student aid received would vary inversely with the level of the discretionary income of the family. Thus, effective tuition at each type of institution would vary directly with family income.

These facts are illustrated by the data in Table 4.

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[90] Full tuition is calculated in the simulation model as the difference between the cost of educating a student and state institutional subsidy per student.

[91] Discretionary income is defined in Recommendation 8 and basically consists of the family's gross income minus taxes and standardized budget allowances.

TABLE 4

SIMULATED FULL TUITION AND FEES, STATE STUDENT GRANT AID, AND EFFECTIVE TUITION PER FULL-TIME UNDERGRADUATE STUDENT IN ALL SECTORS, FY 1976[a]

(Does not include federal or institutional student financial aid)

SECTOR	GROSS INCOME[b]									
	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	Over $27000
COUNTY COLLEGES										
Full Tuition and Fees	241	241	241	241	241	241	241	241	241	241
Student Grant Aid	241	241	0	0	0	0	0	0	0	0
Effective Tuition ($)	0	0	241	241	241	241	241	241	241	241
STATE COLLEGES										
Full Tuition and Fees	535	535	535	535	535	535	535	535	535	535
Student Grant Aid	535	406	33	30	26	20	13	4	0	0
Effective Tuition ($)	0	129	502	505	509	515	522	531	535	535
NJIT										
Full Tuition and Fees	1454	1454	1454	1454	1454	1454	1454	1454	1454	1454
Student Grant Aid	1454	1325	880	785	652	484	278	36	0	0
Effective Tuition ($)	0	129	574	669	802	970	1176	1418	1454	1454
RUTGERS										
Full Tuition and Fees	1408	1408	1408	1408	1408	1408	1408	1408	1408	1408
Student Grant Aid	1408	1279	855	773	655	503	316	94	0	0
Effective Tuition ($)	0	129	553	635	753	905	1092	1314	1408	1408

TABLE 4

Continued

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	Over $27000
HIGH ENDOWMENT INDEPENDENTS										
Full Tuition and Fees	3687	3687	3687	3687	3687	3687	3687	3687	3687	3687
Student Grant Aid	2765	2765	2765	2765	2426	1920	1291	540	0	0
Effective Tuition ($)	922	922	922	922	1261	1767	2396	3147	3687	3687
LOW ENDOWMENT INDEPENDENTS										
Full Tuition and Fees	2573	2573	2573	2573	2573	2573	2573	2573	2573	2573
Student Grant Aid	2573	2444	2001	1835	1590	1265	861	376	0	0
Effective Tuition ($)	0	129	572	738	983	1308	1712	2197	2573	2573
PROPRIETARY INSTITUTIONS										
Full Tuition and Fees	2123	2123	2123	2123	2123	2123	2123	2123	2123	2123
Student Grant Aid	1320	1320	1320	1320	1252	1001	687	310	0	0
Effective Tuition ($)	803	803	803	803	871	1122	1436	1813	2123	2123

[a] Actual average full tuition and fees charged in FY 1976 (academic year 1975-76) were as follows:

County colleges	$456
State colleges	724
NJIT	702
Rutgers	730
High endowment independents	3,687
Low endowment independents	2,573
Proprietary institutions	2,123

[b] Figures presented assume that the family's income is at the midpoint of the income interval, except for those families with incomes above $27,000 where an average of $50,000 was assumed.

In all institutions except high endowment independent and proprietary institutions, effective tuitions would be zero for students from families with the lowest incomes. Effective tuitions rise until they become equal to 100% of full tuition for students from families with gross incomes of $25,000 or more.

Because of the large combined state and county institutional subsidies per student, full tuition at the county colleges would be only $241. State student grant aid would lower effective tuition to zero for the two lowest income classes. Full tuition at the state colleges would be $535. State student grant aid would cover the entire amount for students from the lowest income group and nearly 76% for those in the next lowest income group. Because of the higher average costs of programs at the New Jersey Institute of Technology and Rutgers, full tuitions at these institutions are higher: $1,454 at the New Jersey Institute of Technology and $1,408 at Rutgers. State student grant aid would cover full tuition for students from the lowest income group and more than 90% for students in the next lowest income group at these institutions.

Full tuition levels would be significantly higher at the independent colleges and universities and at the proprietary schools than at any of the public sectors, partly because these institutions would not receive direct institutional subsidy from the state. Full tuition at the low endowment independent collegiate institutions would be $2,573. State student grant aid would cover all of this amount for students from families in the lowest income group, and 95% for students from families in the next lowest income group.

Full tuition at the high endowment independent collegiate institutions would be $3,687. The amount of state student grant aid would be limited by the Commission's recommendation that aid to students at the independent institutions should not exceed the maximum monetary benefits that a student at Rutgers would receive, considering both student grant aid and per student institutional subsidy.[92] Based on the simulation, the Commission believes that this limitation will only moderately affect students from the four lowest income groups.

Full tuition at the proprietary schools would be $2,123. The magnitude of state student grant aid awards would be limited by the Commission's recommendation that aid to students at these institutions should not exceed the average per student state subsidy to the county colleges. Based on the simulation, such a limitation should only moderately affect students from the four lowest income groups.[93]

Figures 3 through 6 illustrate the relationship between state subsidy per student, state student grant aid, and expected family contribution for students from several income groups. In these bar graphs, the portion of a sector's "bar" below the center line indicates the level of average state subsidy flowing to institutions within that sector while the portion above the center line indicates the family contribution (dotted) and the level of state student grant aid (in white). The family contribution can be disaggregated into student and parental components by dividing the total at the level of expected student contribution, $500. The portion of the family contribution below $500 is the student contribution, while the portion above that level is the parental contribution.

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[92] See Recommendation 4.

[93] See Recommendation 11.

FIGURE 3

A COMPARISON ACROSS ALL SECTORS OF STATE SUBSIDY, EXPECTED FAMILY CONTRIBUTION, AND STATE STUDENT GRANT AID: FOR FAMILIES WITH GROSS INCOMES BETWEEN $3,000 AND $6,000

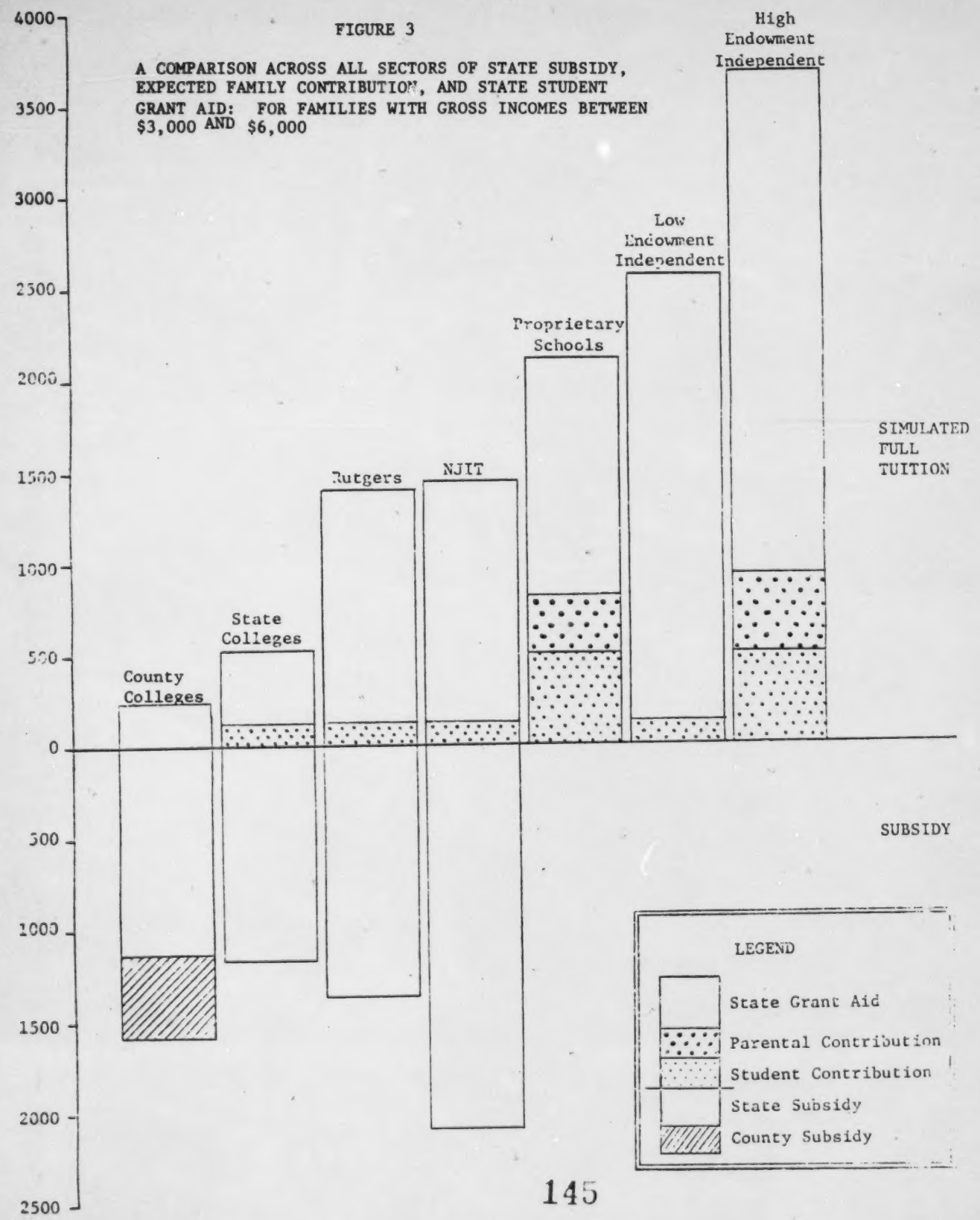


FIGURE 4

A COMPARISON ACROSS ALL SECTORS OF STATE SUBSIDY, EXPECTED FAMILY CONTRIBUTION, AND STATE STUDENT GRANT AID: FOR FAMILIES WITH GROSS INCOMES BETWEEN $9,000 AND $12,000.

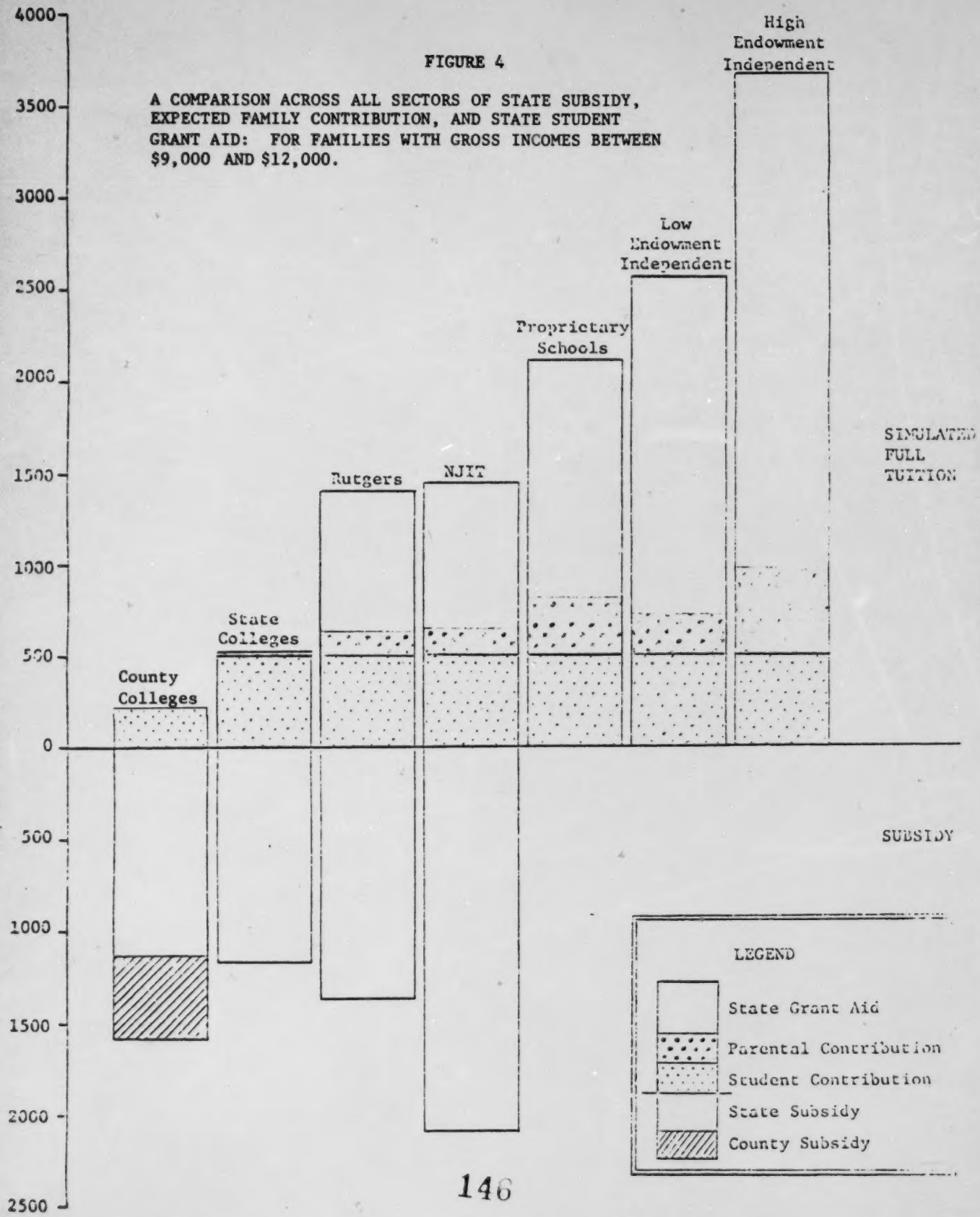


FIGURE 5

A COMPARISON ACROSS ALL SECTORS OF STATE SUBSIDY, EXPECTED FAMILY CONTRIBUTION, AND STATE STUDENT GRANT AID: FOR FAMILIES WITH GROSS INCOMES BETWEEN $15,000 AND $18,000

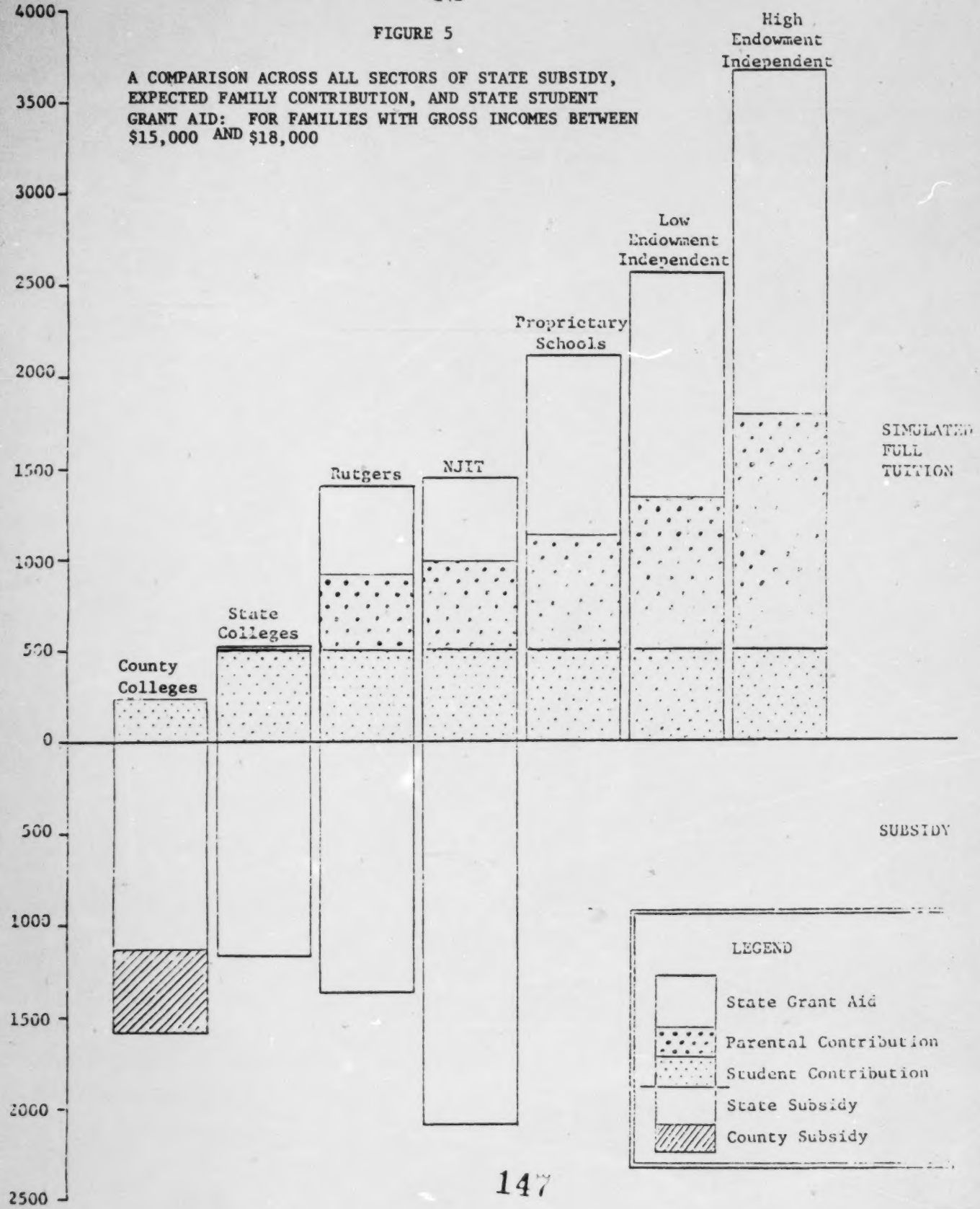
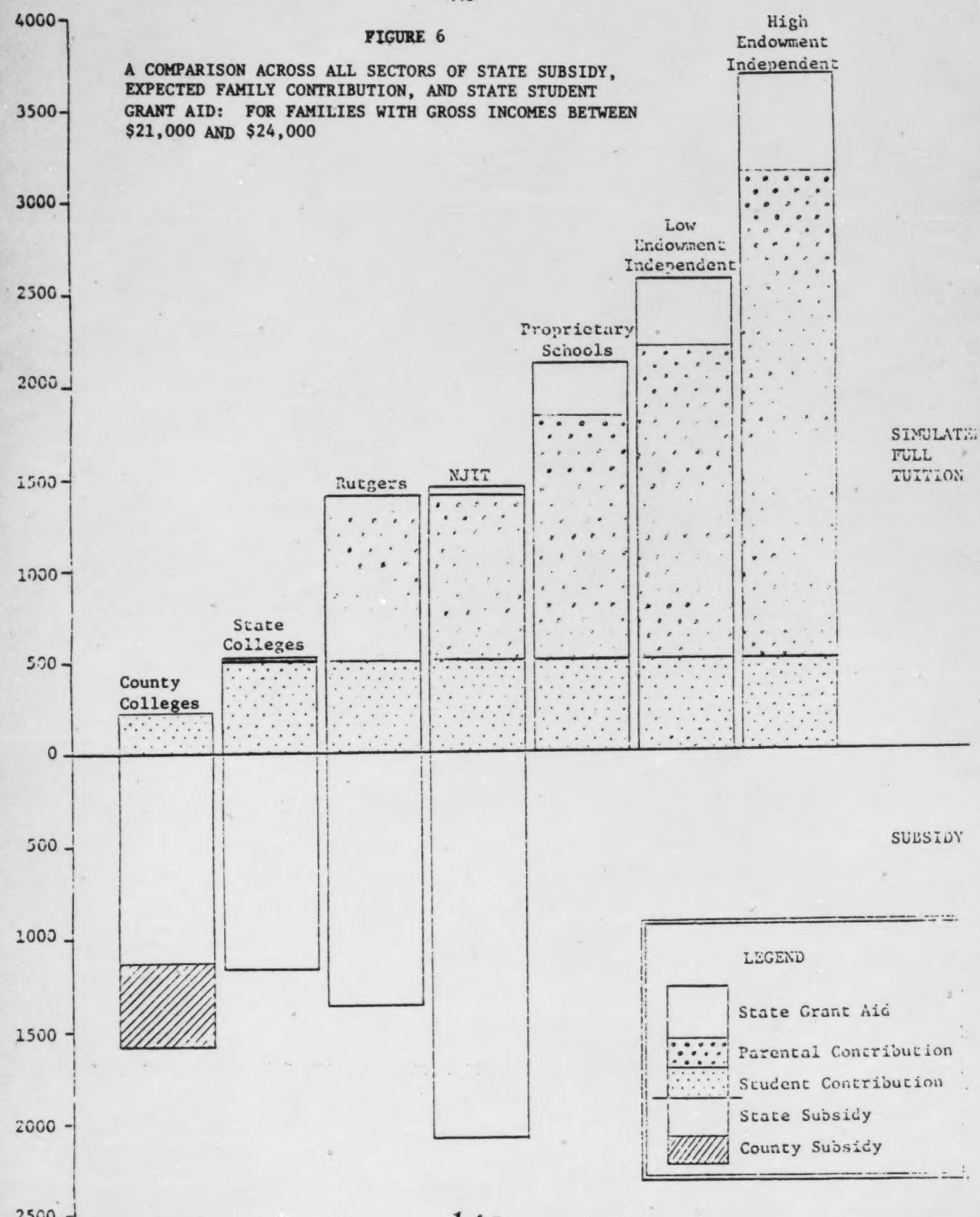


FIGURE 6

A COMPARISON ACROSS ALL SECTORS OF STATE SUBSIDY, EXPECTED FAMILY CONTRIBUTION, AND STATE STUDENT GRANT AID: FOR FAMILIES WITH GROSS INCOMES BETWEEN $21,000 AND $24,000



The bar graphs indicate that, as family income increases, the differentials in effective tuition between sectors increase. This results in part from the fact that educational costs differ among sectors (as indicated by the total length of a sector's bar) and in part because the subsidy at public institutions is constant across all income groups while state student grant aid is different for different income groups. For families with $3000-$6000 of gross income, the effective tuition (the entire dotted portion of the bar) is similar across all sectors with the exception of the proprietary and high endowment independent sectors where limits on state grant aid exist. As shown in Figure 4, for families with gross incomes between $9,000 and $12,000, the difference in effective tuition between the state colleges and the high endowment independent institutions is just over $400. This difference increases to approximately $1,250 for students from families with gross incomes between $15,000 and $18,000, as indicated in Figure 5. This difference further increases to almost $2,600 for students from families with gross incomes between $21,000 and $24,000 as indicated in Figure 6.

At public institutions, the simulation model indicates that the state's contribution, including both student grant aid and institutional subsidy, exceeds the contribution expected of students and families up to a family income of approximately $24,000. At independent and proprietary institutions, the state's contribution through student grant aid exceeds the expected contribution of students and families up to a family income of approximately $18,000.

The expected parental contribution as a percentage of gross income is shown in Table 5. Except in those instances where the cap on student aid applies, the expected parental contribution is less than 10% of gross income

TABLE 5

PARENTAL CONTRIBUTION AS A PERCENT OF GROSS INCOME

Sector	Income Group									
	$0-$3,000	$3-$6,000	$6-$9,000	$9-$12,000	$12-$15,000	$15-$18,000	$18-$21,000	$21-$24,000	$24-$27,000	Over $27,000
County Colleges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
State Colleges	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
NJIT	0.0	0.0	1.0	1.6	2.2	2.9	3.5	4.1	3.7	1.9
Rutgers	0.0	0.0	0.7	1.3	1.9	2.5	3.0	3.6	3.6	1.8
High Endowment Independents	61.5	17.6	5.6	4.0	5.6	7.7	9.7	11.8	12.5	6.4
Low Endowment Independents	0.0	0.0	1.0	2.3	3.6	4.9	6.2	7.5	8.1	4.1
Proprietary Institutions	53.5	15.0	4.0	2.9	2.7	3.8	4.8	5.8	6.4	3.2

for families with incomes below $21,000. For the vast majority of families, 5% or less of gross income will be required from parents to meet tuition and fee charges. The Commission believes these figures indicate that the amount expected from parents for tuition and fees is reasonable.

Adoption of the Commission's recommendations would result in very low effective tuitions for students from lower income families, except for those attending high endowment independent colleges and proprietary institutions. Effective tuition would be relatively low for students from the middle income groups, especially when compared with the total cost of providing educational services. As shown in Table 6, simulated effective tuition increases as a percentage of expenditures for students in all sectors as family incomes rise. However, due to the impact of state and county subsidy to public institutions, effective tuition at public institutions never exceeds 51% of the total cost. In the independent and proprietary institutions, simulated effective tuition rises from its lowest point (not always zero because of caps on student grant aid) to 100% of total cost for families with income above $25,000.

Another result of the Commission's recommendations would be a significant reduction in the differentials between effective tuition rates at public and independent institutions. The present system of state financing, which consists largely of state subsidies to public institutions, produces very large differentials. Since public institutions receive large state subsidies per student, they set their tuition rates at levels far below those required at independent institutions. Currently, student aid available to students in independent institutions does not significantly reduce the differential in effective tuition.

TABLE 6

SIMULATED EFFECTIVE TUITION AND FEES AS A PERCENTAGE OF EXPENDITURES[a] PER STUDENT

Sector	Income Group									
	$0-3,000	$3-6,000	$6-9,000	$9-12,000	$12-15,000	$15-18,000	$18-21,000	$21-24,000	$24-27,000	Over 27,000
County Colleges	0.0%	0.0%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%
State Colleges	0.0	7.6	29.6	29.8	30.1	30.4	30.9	31.4	31.6	31.6
NJIT	0.0	3.6	16.2	18.9	22.6	27.3	33.1	40.0	41.0	41.0
Rutgers	0.0	4.7	20.0	23.0	27.2	32.7	39.5	47.5	50.9	50.9
High Endowment Independents	25.0	25.0	25.0	25.0	34.2	47.9	65.0	85.4	100.0	100.0
Low Endowment Independents	0.0	5.0	22.2	28.7	38.2	50.8	66.6	85.4	100.0	100.0
Proprietary Institutions	37.3	37.8	37.8	37.8	41.0	52.9	67.7	85.4	100.0	100.0

[a] Expenditures per student is equal to the sum of total appropriations (Fiscal Year 1976) and tuition receipts, minus non-formula resources, divided by budgeted full-time equivalent students. Sources: New Jersey Budget 1976-77, Fiscal Year 1976 Adjusted Appropriations (Trenton, 1976). New Jersey Board of Higher Education, "Budget Recommendations Fiscal Year 1976," (Trenton, 1975).

Substantial state subsidies to public institutions would be retained under the Commission's proposals. The estimated average amounts per student are: county colleges, $1,137[94]; state colleges, $1,158; New Jersey Institute of Technology, $2,095; Rutgers, $1,357. While retention of state subsidies for public institutions and elimination of subsidies to independent institutions will tend to perpetuate significant differentials in full tuitions, the provision of large amounts of grant aid to students regardless of institutional sector will narrow differentials in effective tuitions for all students eligible for aid. Because the amount of state student grant aid varies inversely with family income, the differentials in effective tuitions are reduced most significantly for students from low and middle income families. Table 7 shows the resulting relationships among effective tuition rates in different institutional sectors for students from various income groups.

With two exceptions, which result from the caps on student grant aid, the ratio of effective tuition in all institutional sectors to effective tuition at the state colleges will not exceed 2.5 to 1 for students from families with incomes below $15,000 (the exceptions are for low income students attending high endowment independent colleges and proprietary institutions). While effective tuitions in the independent sector will generally remain above those in the public sector, the differentials among comparable types of institutions will be appreciably reduced.

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[94] This figure does not include county support of $459 per student on average, assuming a county contribution equal to 25% of expenditures.

TABLE 7

RATIOS OF INTERSECTORAL EFFECTIVE TUITIONS PER STUDENT[a]

Sector	Income Group									
	$0-3,000	$3-6,000	$6-9,000	$9-12,000	$12-15,000	$15-18,000	$18-21,000	$21-24,000	$24-27,000	Over $27,000
County Colleges	-[b]	0.00	0.48	0.48	0.47	0.47	0.46	0.45	0.45	0.45
State Colleges	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
NJIT	-	1.00	1.14	1.33	1.57	1.88	2.25	2.67	2.72	2.72
Rutgers	-	1.00	1.10	1.26	1.48	1.76	2.09	2.48	2.63	2.63
High Endowment Independents	-	7.15	1.84	1.83	2.48	3.43	4.59	5.93	6.89	6.89
Low Endowment Independents	-	1.00	1.14	1.46	1.93	2.54	3.28	4.14	4.81	4.81
Proprietary Institutions	-	6.22	1.60	1.59	1.71	2.18	2.75	3.42	3.97	3.97

[a] The ratio is calculated by dividing the effective tuition in every sector within an income group by the effective tuition of the state colleges in that income group.

[b] Effective tuition for state college students in this income group is zero.

The Commission believes that narrowing the differentials in effective tuition levels is highly desirable. The reduced differentials should enhance the range of student choice among institutions, especially for students from low and middle income families. The ability of independent institutions to compete on the basis of price as well as academic programs should also promote a diversified system which uses resources efficiently.

Financial Implications for the Various Types of Postsecondary Institutions in New Jersey

The Commission's financing recommendations are directed primarily at promoting the objectives delineated earlier: student access to appropriate postsecondary education opportunities, increased ability for students to choose among institutions, maintenance of a diverse system of postsecondary education, enhancement of program quality, equity in the distribution of educational costs and benefits, and efficiency in the utilization of state resources. Because achievement of these objectives is dependent on viable postsecondary institutions, it is important to consider the financial impact of the Commission's recommendations on existing institutions.

This section illustrates the impact of the Commission's recommendations on the flow of revenues from the state, the county, and the student and family to the various types of postsecondary educational institutions in New Jersey. These simulated revenue flows will be compared to current institutional revenues from these sources. These comparisons will include only revenues directly affected by the Commission's recommendations and will not consider other revenues received by the institutions.

To arrive at the estimated revenue flows, it is necessary to make certain assumptions. To repeat, the total number of students,

the distribution of students among the various types of institutions, and the distribution of students among academic programs are assumed to be those reported in the fall of 1975. We recognize that adoption of the Commission's proposals may induce changes in some of these distributions. For example, the decrease in effective tuition levels for students from families with low and middle incomes may increase total enrollments in New Jersey institutions both by enabling more New Jersey residents to participate in postsecondary education and by inducing some students to attend in-state institutions rather than to go outside the state. On the other hand, the higher effective tuitions for students from families with the highest incomes may induce some of them to leave the state. Also, the narrowing of differentials in effective tuition may induce some changes in the distribution of students among in-state institutions. However, due to limited understanding of human behavior and the impact of exogenous variables, it is not possible to estimate what the magnitude of these induced changes may be.

Second, it is assumed that the full tuition at the various types of institutions are those delineated earlier in this section. The total tuition revenues of each institutional sector are equal to its average full tuition times its enrollment. A portion of these revenues is derived from state grant aid to students and the remainder is generated from students and families in terms of effective tuition paid.

Third, the distribution of revenues does not include certain state funds which would be available but the distribution of which is unknown. For example, the costs of remedial programs are not included because we know neither the total cost of these programs nor the enrollment patterns of these students by sector. The student aid adjustment fund is not allocated to sectors because we do not know where students requiring special financial aid treatment enroll.

Financial Impacts at Public Institutions

Table 8 displays estimates of the direct impact of the Commission's recommendations being discussed on the revenues at the four types of public postsecondary institutions in the state. It will be noted that the total of these revenues for each type of public institution is not significantly different from that available under the current financing system. However, there are significant changes in the proportions of the revenues received from the several sources.

County colleges would increase their subsidy revenues when both county and state subsidies are considered. This increase would permit the county colleges to decrease the level of tuition and fees on average with a resultant decline in revenues obtained through direct payments by students and families. Concurrently, there would be a decrease in the amount of state grant aid received by students attending county colleges because of the relatively low tuition and fee charges.

The state colleges would receive increased revenues in the form of state subsidies. Assuming a constant expenditure level this increase would make possible a reduction in their average levels of tuition and fees. While the total revenues from tuition and fees will decrease, the percent offset by state student grant aid actually increases because of the commitment of special support for students from the two lowest income groups.

The New Jersey Institute of Technology would receive almost the same amount of revenues as subsidy from the state. The proportion of tuition and fees revenues derived from state student grant aid would rise from approximately 3% to over 30%.

TABLE 8

REVENUES OF PUBLIC INSTITUTIONS FROM COUNTY, STATE AND FAMILY SOURCES, 1975-76
(In Thousands of Dollars)

	Sector			
Revenue Sources	County Colleges	State Colleges	NJIT	Rutgers
Under Commission Recommendations				
State/County Subsidy[a]	$91,755	$70,307	$8,223	$47,802
State Student Aid[b]	1,856	3,579	1,776	14,680
Student and Family Contribution[c]	12,000	28,903	3,931	34,918
Total	105,611	102,789	13,930	97,400
Under Current System				
State/County Subsidy[d]	71,116	59,971	8,231	63,321
State Student Aid[e]	3,664	3,345	136	2,261
Student and Family Contribution[f]	22,795	37,193	4,409	31,646
Total[g]	97,575	100,509	12,776	97,228

[a] Includes state resources generated on a per student basis and assumes a county contribution equal to 25% of county college expenditures.

[b] Does not include grants to be distributed under the merit aid recommendation.

[c] Includes expected student and parental contribution to cover the costs of tuition/fees. Some of these funds may be supplied to students and their families from non-state sources.

[d] Includes state formula resources and estimated county appropriations to county colleges.

[e] For comparative purposes, figures do not include state scholarship awards or incentive awards

[f] Calculated as the difference between the indicated total and the sum of state/county subsidy and state student aid.

[g] Calculated as total state appropriations plus tuition receipts minus estimated non-formula resources at senior institutions and as the sum of state, county and tuition and fee income at county colleges.

Sources for Table 8:

Commission Recommendations - Commission Simulation Model, Appendix II.

Current System -

New Jersey Budget 1976-77, Adjusted Appropriations (Trenton, 1976).

New Jersey Board of Higher Education, "Budget Recommendations, FY 1975-76" (Trenton, 1974).

New Jersey Department of Higher Education, "Community College Finances, 1975-76" (Trenton, 1975).

New Jersey Department of Higher Education, "Distribution of State Financial Aid Funds" Interoffice Memorandum, November 20, 1975, (Trenton, 1975).

Total state subsidies to Rutgers would decrease, but this decline would be more than offset by an increase of revenues from tuition and fees resulting from an increase of the average level of tuition and fees. Of the increase of total tuition revenues at Rutgers, about 79% would be supplied indirectly through increased state aid to students and about 21% would come from increases in expected contributions by students and their families.

Financial Impacts at Independent Collegiate Institutions

The Commission's recommendation that state subsidies to independent institutions be terminated will result in a decrease of $6 million in direct revenues from the state to these institutions.

However, state grant aid to students at independent institutions will amount to $33.1 million if enrollment[95] and average tuitions remain unchanged. This amount of student grant aid accompanying students to independent institutions more than doubles present revenues from the state through student grant aid and institutional subsidy.

The majority of student grant aid going to independent institutions under the Commission's recommendations will flow to low endowment schools.

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[95] Full-time equivalent enrollment of New Jersey undergraduates in New Jersey independent collegiate institutions as reported for the fall of 1975 are as follows:

	Number	Percent of Total
High Endowment (Drew, Princeton, and Stevens)	2,538	8.8
Low Endowment	26,424	91.2
TOTAL	28,962	100.0

There are two reasons for this pattern of distribution. First, more than 91% of all New Jersey residents attending independent institutions in New Jersey are enrolled in the institutions with low endowments; less than 9% are in the high endowment institutions. Second, a larger proportion of students attending the low endowment institutions are from families in the lower income groups.

The anticipated increase in state student grant aid flowing to the independent institutions through their students will benefit those institutions in two ways. First, the increased availability of state grant aid to students would enable the institutions to reallocate their own aid funds and award them to other students in order to further reduce the tuition differential between these institutions and the public colleges and universities. Second, both the reduction in effective tuitions at these institutions and the decrease in the differential between their effective tuitions and those at the public institutions would help them compete for enrollments.

Financial Implications at Proprietary Institutions

The Commission has recommended that for the first time in New Jersey, students at proprietary institutions be made eligible for state student grant aid. The amount of this state grant aid is estimated to be approximately $18.2 million.[96] The objective of this recommendation is to broaden the range of educational alternatives open to students. The availability of state student grant aid to these students would indirectly benefit the proprietary institutions in ways already mentioned in relation to the independent institutions.

[96] It should be noted that the Commission has reason to believe that $18.2 million is the absolute maximum which would be needed, and that in all likelihood the amount of aid flowing to students at these institutions would be considerably less. More accurate data on enrollments and income distributions is necessary to verify the actual amount which would be required.

This section has attempted to highlight the most important outcomes of implementing the Commission's recommendations, both for students and families and for institutions. For further details, the reader should turn to Appendix II for an illustration and explanation of the Commission's simulation model of New Jersey's postsecondary education system. The Commission's technical paper comparing the recommended financing plan with the current system should provide additional information of interest.[97]

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[97] New Jersey Commission on Financing Postsecondary Education, "An Analysis of New Jersey Postsecondary Education Expenditures: The Current System and the Commission Recommendations," (Princeton, 1977).

CONCLUSION

CONCLUSION

This report outlines the past growth of New Jersey's postsecondary education system, the philosophical bases from which the Commission has conducted its inquiry, the problems with extending the present financing system into the future, the specific measures being recommended to improve financing practices, and the financial outcomes anticipated as a result of implementing these recommendations.

The core of the report lies in the recommended financing policies put forth in Section II. The Commission believes the specific recommendations, accompanied by the associated staff research and technical papers,[98] present an approach to financing postsecondary education which will provide needed flexibility in the years ahead. The recommendations reflect an adherence to the priorities set forth in the Charge to the Commission, and should move the postsecondary system in the direction of expanded access and choice for students as well as increased autonomy for institutions. Such a move should be beneficial to students, institutions, and the state.

The Commission presents this plan with the awareness that unanswered questions remain. For example, the cause and effect relationship between financing and student achievement cannot be clearly defined; no consensus exists on the range of outputs expected from postsecondary education and on how they can be effectively measured; an agreement on a definition of educational quality has not been obtained. Most important, and as pointed out on page 59, Section II, it is difficult to know the true impact of this or any plan until student enrollment patterns can be monitored over a period of years.

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[98] A listing of Commission publications is included on page 184.

Definitive answers to these and other questions do not necessarily exist because of the disparate value systems which different parties bring to such discussions. The Commission membership, therefore, sought consensus on a common value structure from which to analyze the issues associated with financing postsecondary education in New Jersey. These values establish consistent themes which run throughout the recommendations presented. The Commission believes the state's primary responsibility in financing postsecondary education lies with providing access to instruction for students and not with maintaining an institutional structure per se. Students and their families should contribute toward the costs of education, with state grant aid awarded based on ability to pay, in order to promote equity. State investment in institutions should be keyed to function (instruction, research, special items) and should be equitable across all sectors. Greater student choice and institutional autonomy should result from enhancement of a competitive pricing structure and more flexible program review procedures.

The result of these thrusts is a plan which departs significantly from present financing practices. The Commission has looked at the current financing system and sought to make alterations in light of the trends which will emerge in the future. The uncertainties about that future have been pointed out repeatedly. Those uncertainties demand a flexible financing structure which will enable institutions to react appropriately to the environment they face?[99] Given the uncertainties of the next twenty-five years, the Commission believes it is essential to have a system that relies heavily on campus leadership, constrained only by broad policy and accountability requirements developed at the state level.

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[99] The need for flexibility in financing is further underscored by the recently enacted "cap" on increases in state spending, which will not enable the state to meet even the most conservative resource requirements if historical cost escalation trends continue.

Conspicuous by their absence are charts and tables comparing New Jersey's method of financing postsecondary education to that employed by other states.[100] After careful consideration of many of the indices commonly employed, the Commission decided that, while interesting and politically instructive, such comparisons were of marginal analytical utility. These data lack sensitivity to the particular characteristics of differing states. In addition, no firm evidence has been produced in any state as to what level of support of postsecondary education is "appropriate" and why.

It must be emphasized that the Commission has attempted to develop a comprehensive financing approach, including all parts of the postsecondary system (except medical education and the Agricultural Experiment Station). To be clearly understood, this financing strategy should be considered in its entirety. The interrelationship of the recommendations must be kept in mind; to examine them in isolation would be to lose the concept of an integrated financing system. It should also be emphasized that while implementing the recommended system would be positive in the Commission's view, the outcome of implementing individual recommendations might be far less desirable. The major notable exception to this caveat is that movement toward the unified student grant aid program recommended should be beneficial in and of itself.

Another related caution is in order. While the Commission believes the recommendations will move the system in an appropriate direction, uncertainty about the future and about human behavior leads to the recommendation that implementation be phased and that results be carefully analyzed and evaluated.

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100 For a more complete discussion of states comparable to New Jersey in financing postsecondary education, see New Jersey Commission on Financing Postsecondary Education "Interstate Comparisons of Higher Education Systems in Nine States," (Princeton, 1976).

First steps should be initiated as soon as possible with complete implementation taking place within three years of the first steps. The institutions should be informed of the intent to implement the recommendations at least one year in advance to allow time for alteration of institutional planning procedures.

The specifics involved in implementing subsidy reductions at the public institutions, elimination of the direct subsidy to independent institutions and expansion of student grant aid should be developed by the Board of Higher Education based on the counsel of the institutions and the staff of the Department. While three equal steps may appear to be most appropriate, careful consideration should be given to an accelerating phase-out/phase-in schedule to minimize disorientation and facilitate institutional planning in the first year of implementation. A careful evaluation of the impact of implementation should be made within a period of five to seven years. At that juncture a decision will have to be made about further reducing the direct institutional subsidy provided to public institutions.

The subject of financing postsecondary education is one of considerable complexity. To understand the intricacies involved, sophisticated analytical approaches are often helpful. The Commission staff has employed numerous techniques to test and analyze recommendations so that the implications of such steps would be clear. Many of these techniques are discussed in the staff technical papers. The primary use of these approaches, however, was to assist in developing a set of recommendations that are simple and straightforward.

The Commission recognizes, of course, the role politics will play in the final acceptance and implementation of its recommendations. No attempt was made to temper recommendations according to assessments of the

political climate. Instead, the Commission developed an approach which should both move toward the goals stated in the Charge and is consistent with members' values. Other groups must accept the responsibility for political assessment and consideration. The Commission is confident that the Board and Department of Higher Education will be able to obtain appropriate legislative endorsement.

The financing plan recommended in this report urges increased funding of New Jersey's postsecondary system in a fashion which promotes access, equitable sharing of costs and benefits, quality programs, and a diversified institutional structure. However, postsecondary education has suffered in New Jersey over the past three years as the state struggled to respond to a myriad of social program needs with limited resources. While major efforts have been made to maintain the level of funding recommendations, the legislature has been forced to provide significantly less support than was requested by the institutions and the Board of Higher Education. These funding shortfalls further underpin the Commission's recommendation that support be increased.

If, unfortunately, financial constraints are as severe in the future as they have been in the recent past, the total recommended increase in funding may not be forthcoming. Should that be the case, the Commission strongly suggests that the integrity of this plan be maintained regardless of funding level. The principles underlying this financing plan lead to both greater equity and more efficient use of state resources. Somewhat greater reductions in subsidies to public institutions, slightly higher tuitions at public institutions for those able to pay, lower ceilings on aid to students going to independents and a lower maximum income for grant aid eligibility may result. These steps would be unfortunate, but they would result in the most effective and equitable system given suboptimal circumstances.

Finally, it must be reiterated that the Commission members collectively endorse the view that postsecondary education is of incalculable social and cultural value to our society. Adoption of an equitable financing plan and a sufficient level of funding will insure continuance of the progress made in New Jersey postsecondary education over the last decade.

APPENDIX I

INDICES OF INCOME GROUP REPRESENTATION BY INSTITUTIONAL SECTOR

APPENDIX I**

INDICES OF INCOME GROUP REPRESENTATION BY INSTITUTIONAL SECTOR

Table A

Indices of Educational Representation for Full-Time Students Enrolled in New Jersey Institutions by Sector

Annual Income	Community Colleges	State Colleges	Rutgers	Independents	N.J. Norm
Less than $7,500	.80*	.57	.49	.45	.55
$7,500 - 11,999	1.03	1.02	.83	.66	.88
$12,000 - 14,999	1.11	1.22	1.14	.91	1.12
$15,000 - 20,999	1.24	1.48	1.53	1.23	1.42
More than $21,000	.93	.94	1.28	1.94	1.26

$$*.80 = \frac{20.9}{26.0} = \frac{\text{\% of student enrollment in the Community College sector from families with less than \$7,500 in income}}{\text{\% of all families, with dependents aged 18-24, earning less than \$7,500}}$$

Source: New Jersey Commission on Financing Postsecondary Education, "An Analysis of the Family Incomes of Full-Time Collegiate Students in New Jersey," (Princeton, 1975).

Table B

Indices of Income Group Representation for Students in New Jersey Institutions by Sector

Family Income	Community Colleges	State Colleges	Rutgers	Independents
Less than $7,500	1.46*	1.04	.88	.82
$7,500 - 11,999	1.18	1.16	.95	.75
$12,000 - 14,999	.99	1.09	1.02	.83
$15,999 - 20,999	.88	1.05	1.08	.87
More than $21,000	.74	.74	1.02	1.54

$$*1.46 = \frac{23.7}{16.2} = \frac{\text{\% of students from families earning less than \$7,500 enrolled in Community Colleges}}{\text{\% of all students enrolled in Community Colleges}}$$

Source: New Jersey Commission on Financing Postsecondary Education, "An Analysis of the Family Incomes of Full-Time Collegiate Students in New Jersey," (Princeton, 1975).

**The ratios presented here, their derivation, and an explanation of the concepts and processes are very complex. It is strongly suggested that interested persons read the report cited above for complete understanding.

APPENDIX II

COST SIMULATION MODEL

APPENDIX II

COST SIMULATION MODEL

Because the Commission was examining a number of alternative strategies for financing postsecondary education and since the postsecondary education environment is complex, it became necessary to simplify the procedure of calculating the expenditures associated with each strategy so that comparisons of outcomes among strategies could be undertaken. The simulation model was created to facilitate this comparison process.

The model is essentially a set of mathematical relationships which are used to operationalize the Commission's financing principles. These relationships permit one to change different levels for components of a financing strategy (variables) until a level for each variable is determined which produces acceptable outcomes both for individuals and the system. The particular model displayed on the following pages resulted from utilizing the levels identified in the Commission's recommendations.

Basically the model is divided into three parts: a part which specifies the levels of each variable, a part which displays outcomes, and a part which aggregates expenditures.

Pages 173 and 174 display the level of each variable required to operationalize the Commission's recommendations for the simulation. The first two lines of page 173 are simply the title of the alternative. The six lines listed under Parameter Values define the way in which discretionary income (Adjusted Available Income) is calculated, certain aspects of the student aid formula, and the ceilings which are placed on aid to students attending independent and proprietary institutions. Additional specific

data pertaining to institutional sectors are displayed beneath the student grant aid variables. These include the eligible expenditures, state institutional subsidy, and expected average county contribution. The state subsidy level is a weighted average which represents the combination of different numbers of students in different program categories which have different costs and which are subsidized at different levels, dependent upon level (undergraduate or graduate). The adjusted revenue gap is simply the difference between the eligible expenditures and these subsidies. The expected student contribution is listed below the revenue gap, although this level is modified later for families with very low incomes.

On page 174 the number of FTE's (full-time equivalent students) in each sector as well as the income distribution of their families is indicated. The FTE's listed are those reported for 1975-76. The income distribution of students is derived from the Student Resource Survey (SRS)[101] administered by the Commission. The proprietary sector has been assigned the same income distribution as the county colleges. The percentage of FTE's eligible for student aid is indicated at the bottom of page 174.

Tables 1 through 13, on pages 175 through 180 display the output generated by the model at the levels of input described above. For the most part, the tables are self-explanatory when the following relationships are kept in mind:

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101 The Student Resource Survey, created by the College Entrance Examination Board, examines student financial circumstances. It was administered to a sample of students in New Jersey in the spring of 1975 with the cooperation of the Educational Testing Service.

1. eligible expenditures - average subsidy = simulated full tuition
2. simulated full tuition - expected student contribution = aid eligible tuition
3. aid eligible tuition - parental contribution = state student grant aid
4. expected student contribution + parental contribution = effective tuition.

Table 14 on page 181 displays additional line item appropriations necessary to operate the system, the costs of which are not charged to students. Some of these line items can be allocated to institutional sectors, as indicated, while others cannot be so allocated. These expenditures represent costs to the state which are added, in Table 15, to the costs of direct institutional subsidy and student grant aid generated by the recommendations.

The total simulated expenditure by the state in support of the postsecondary education system is displayed in Table 15 on page 182. In addition, the total student and parental contributions and the expenditure levels of the institutional sectors are indicated. (It should be noted that the sector expenditures do not include either line item appropriations that cannot be allocated or tuition receipts from students taking less than six credits.)

NOTE: In developing this simulation model two sets of numbers assume major significance.

The first is the group labeled eligible expenditures. Essentially eligible expenditures reflect the Fiscal Year 1976 expenditures of the different institutional sectors for educational and general purposes, not including non-formula generated resources and specialized funding such as student center support. It should be emphasized that these numbers represent a specific group of expenditures at a point in time, and were utilized primarily to develop the cost simulation model. They are not necessarily the numbers that should be

employed in implementing this plan. The general expenditure parameters required can only be developed after a current cost study tempered by judgment.

The second set of numbers which is fundamental to the model is that group of 12 numbers representing judgments about reasonable operating cost levels per student category. The state subsidy level (keyed to these numbers) in the base year is a key factor because it sets the operating support investment base. For developing the simulation model the following discipline taxonomy and annual per student operating cost values were selected:

TABLE C

ESTIMATED OPERATING EXPENDITURES PER STUDENT BY CATEGORY

Discipline	Level	Value
Undergraduate:		
Liberal Arts	Lower Division	$1,700
Liberal Arts	Upper Division	2,000
Technical/Scientific	Lower Division	2,200
Technical/Scientific	Upper Division	2,800
Engineering	All Undergraduate	3,700
Graduate I: (includes terminal masters and professional degrees except clinical)		
Liberal Arts	Graduate I	2,600
Technical/Scientific	Graduate I	3,800
Engineering	Graduate I	4,400
Graduate II: (doctoral programs)		
Liberal Arts	Graduate II	2,800
Technical/Scientific	Graduate II	4,600
Engineering	Graduate II	6,000
Education	Graduate II	2,400

These numbers were developed by examining the formula provisions in several states, actual cost data in three states and exercising judgment: they are neither absolute nor specifically New Jersey based. As of this time they seem reasonable, but a careful review of the adequacy of the discipline disaggregation and of the values is mandatory before implementation.

The need to make these reviews is evident because it is these values, weighted for institutional enrollment patterns, and multiplied by 60% at the undergraduate and 50% at the graduate level which determine the direct state subsidy at a given institution. Additionally these figures, once set, form the base to which the inflation factor is applied to generate the subsidy level in subsequent years.

COST MODEL: EDCO BUDG,60% U.S./50% GRAD SUBS,FY76 ENROLL,500 S.C., 10166,
BOOHER COMMISSION COST SIMULATION - 12/07/76

PARAMETER VALUES FOR THIS RUN

FORMULA FOR ADJUSTED AVAILABLE INCOME IS: AAI=(GROSS INCOME - 6000)(.514) + 400
SUBSIDY WILL BE ADDED TO THE GROSS INCOME TO CALCULATE ADJUSTED AVAILABLE INCOME (AAI) WHEN AAI WOULD OTHERWISE BE POSITIVE.
DENOMINATOR(D) BEING USED FOR PARENTAL CONTRIBUTION FORMULA IS 123680.
PARENTAL CONTRIBUTION = (AAI)((AAI + 2000)/D + (AAI + 3000)(AID ELIGIBLE TUITION - 1000)/10000)
UPPER LIMIT FOR STATE STUDENT FINANCIAL AID FOR PROPRIETARY INSTITUTIONS IS $ 1320.
UPPER LIMIT FOR STATE STUDENT FINANCIAL AID FOR ENDOWED INSTITUTIONS IS $ 2765.

	COUNTY COLL	STATE COLL	N.J.I.T.	RUTGERS	HIGH ENDOW	LOW ENDOW	PROPRIETARY
ELIGIBLE EXPENDITURES PER FTE*	1837.	1693.	3549.	2765.	3687.	2573.	2123.
EDUCATIONAL COST SUBSIDY LEVEL	1137.	1158.	2095.	1357.	0.	0.	0.
COUNTY CONTRIBUTION	459.						
ADJUSTED REVENUE GAP (SIMULATED FULL TUITION)	241.	535.	1454.	1408.	3687.	2573.	2123.
EXPECTED STUDENT CONTRIBUTION	241.	500.	500.	500.	500.	500.	500.

*THE SOURCE OF EXPENDITURES USED IN THIS RUN IS NOTED IN THE TITLE AT THE TOP OF THE PAGE:

REGIS EXP: CURRENT FUND EXPENDITURES MINUS ALL REVENUE SOURCES EXCEPT 'TUITION AND FEES,' 'GOVERNMENT APPROPRIATIONS,' AND 'STATE STUDENT AID.' (FY '74 INFLATED AT 8.6% TO FY '76)

BUDG APPR: TOTAL APPROPRIATION + TUITION RECEIPTS DIVIDED BY BUDGETED FTE (FY '76)

EDCO BUDG: TOTAL APPROPRIATIONS + TUITION RECEIPTS - ESTIMATED NON FORMULA RESOURCES DIVIDED BY BUDGETED FTE (FY '76)

NUMBER OF FTE'S IN EACH SECTOR

	RESIDENT UNDERGRAD	NON-RESID UNDERGRAD	GRADUATE
COUNTY COLLEGES	57276.	215.	0.
STATE COLLEGES	55904.	871.	3939.
N.J.I.T.	3279.	183.	463.
RUTGERS	26605.	1457.	7164.
HIGH ENDOWMENT	2538.	4587.	2126.
LOW ENDOWMENT	26424.	4309.	5553.
PROPRIETARY	18517.	0.	0.

PERCENT OF UNDERGRADUATE STUDENTS IN EACH INCOME GROUP OF EACH SECTOR

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	8.8	6.5	11.3	15.3	17.5	13.3	8.7	6.3	7.2	5.1
STATE COLLEGES	4.6	6.1	11.2	15.2	18.8	14.1	11.5	5.9	7.3	5.4
N.J.I.T.	1.3	5.4	9.0	13.5	22.4	13.5	17.5	7.1	6.4	4.1
RUTGERS	3.6	4.9	8.8	13.2	17.6	14.7	12.3	7.5	10.0	7.5
HIGH ENDOWMENT	1.0	2.0	6.1	9.1	10.8	8.1	13.5	7.6	22.2	19.7
LOW ENDOWMENT	5.1	7.3	8.3	10.9	16.4	11.0	12.2	7.1	12.0	9.7
PROPRIETARY	8.8	6.5	11.3	15.3	17.5	13.3	8.7	6.3	7.2	5.1

	COUNTY COLL	STATE COLL	N.J.I.T.	RUTGERS	HIGH ENDOW	LOW ENDOW	PROPRIETARY
PERCENT UNDERGRADUATE FTE ELIGIBLE FOR STUDENT AID	87.9	95.6	96.4	99.6	99.7	94.7	100.0

NOTE: IN ANY TABLE SHOWING AN INCOME RANGE (E.G. $0-3000) THE MIDPOINT OF THE RANGE (E.G. $1500) IS USED FOR ALL CALCULATIONS. FOR THE GREATER THAN $27,000 GROUP, $50,000 IS USED AS THE REFERENCE POINT.

TABLE 1: ADJUSTED AVAILABLE INCOME (AAI) PER STUDENT

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	-1913.	-371.	1755.	3297.	4839.	6381.	7923.	9465.	11007.	23600.
STATE COLLEGES	-1913.	-371.	1766.	3308.	4850.	6392.	7934.	9476.	11018.	23611.
N.J.I.T.	-1913.	-371.	2248.	3790.	5332.	6874.	8416.	9958.	11500.	24093.
RUTGERS	-1913.	-371.	1868.	3410.	4952.	6494.	8036.	9578.	11120.	23713.
HIGH ENDOWMENT	-1913.	-371.	1171.	2713.	4255.	5797.	7339.	8881.	10423.	23016.
LOW ENDOWMENT	-1913.	-371.	1171.	2713.	4255.	5797.	7339.	8881.	10423.	23016.
PROPRIETARY	-1913.	-371.	1171.	2713.	4255.	5797.	7339.	8881.	10423.	23016.

TABLE 2: AID ELIGIBLE TUITION (SIMULATED FULL TUITION - EXPECTED STUDENT CONTRIBUTION)*

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	241.	241.	0.	0.	0.	0.	0.	0.	0.	0.
STATE COLLEGES	535.	406.	35.	35.	35.	35.	35.	35.	35.	35.
N.J.I.T.	1454.	1325.	954.	954.	954.	954.	954.	954.	954.	954.
RUTGERS	1408.	1279.	908.	908.	908.	908.	908.	908.	908.	908.
HIGH ENDOWMENT	3667.	3558.	3187.	3187.	3187.	3187.	3187.	3187.	3187.	3187.
LOW ENDOWMENT	2573.	2444.	2073.	2073.	2073.	2073.	2073.	2073.	2073.	2073.
PROPRIETARY	2123.	1994.	1623.	1623.	1623.	1623.	1623.	1623.	1623.	1623.

*WHEN AAI IS NEGATIVE A STUDENT IS RELIEVED OF UP TO ALL OF HIS EXPECTED CONTRIBUTION, THEREBY INCREASING THE AMOUNT OF AID ELIGIBLE TUITION, WHICH IS COMPLETELY AIDED BY THE STATE

TABLE 3: EXPECTED PARENTAL CONTRIBUTION PER STUDENT

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
STATE COLLEGES	0.	0.	2.	5.	9.	15.	22.	31.	35.	35.
N.J.I.T.	0.	0.	74.	169.	302.	470.	676.	918.	954.	954.
RUTGERS	0.	0.	53.	135.	253.	405.	592.	814.	908.	908.
HIGH ENDOWMENT	922.	793.	422.	422.	761.	1267.	1896.	2647.	3187.	3187.
LOW ENDOWMENT	0.	0.	72.	238.	483.	808.	1212.	1697.	2073.	2073.
PROPRIETARY	803.	674.	303.	303.	371.	622.	936.	1313.	1623.	1623.

TABLE 4: STATE STUDENT GRANT AID PER STUDENT (AID ELIGIBLE TUITION - PARENTAL CONTRIBUTION)

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	241.	241.	0.	0.	0.	0.	0.	0.	0.	0.
STATE COLLEGES	535.	406.	31.	30.	26.	20.	13.	4.	0.	0.
N.J.I.T.	1454.	1325.	880.	785.	652.	484.	278.	36.	0.	0.
RUTGERS	1408.	1279.	855.	773.	655.	503.	316.	94.	0.	0.
HIGH ENDOWMENT	2765.	2765.	2765.	2765.	2426.	1920.	1291.	540.	0.	0.
LOW ENDOWMENT	2573.	2444.	2001.	1835.	1590.	1265.	861.	376.	0.	0.
PROPRIETARY	1320.	1320.	1320.	1320.	1252.	1001.	687.	310.	0.	0.

TABLE 5: PARENTAL CONTRIBUTION AS A PERCENT OF ADJUSTED AVAILABLE INCOME

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
STATE COLLEGES	0.0	0.0	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.1
N.J.I.T.	0.0	0.0	3.3	4.5	5.7	6.8	8.0	9.2	8.3	4.0
RUTGERS	0.0	0.0	2.8	4.0	5.1	6.2	7.4	8.5	8.2	3.8
HIGH ENDOWMENT	0.0	0.0	36.0	15.6	17.9	21.9	25.8	29.8	30.6	13.8
LOW ENDOWMENT	0.0	0.0	6.2	8.8	11.4	13.9	16.5	19.1	19.9	9.0
PROPRIETARY	0.0	0.0	25.9	11.2	8.7	10.7	12.9	14.8	15.6	7.1

TABLE 6: PARENTAL CONTRIBUTION AS A PERCENT OF GROSS INCOME

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
STATE COLLEGES	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
N.J.I.T.	0.0	0.0	1.0	1.6	2.2	2.9	3.5	4.1	3.7	1.9
RUTGERS	0.0	0.0	0.7	1.3	1.9	2.5	3.0	3.6	3.6	1.8
HIGH ENDOWMENT	61.5	17.6	5.6	4.0	5.6	7.7	9.7	11.8	12.5	6.4
LOW ENDOWMENT	0.0	0.0	1.0	2.3	3.6	4.9	6.2	7.5	8.1	4.1
PROPRIETARY	53.5	15.0	4.0	2.9	2.7	3.8	4.8	5.8	6.4	3.2

TABLE 7: EFFECTIVE TUITION PER STUDENT (STUDENT CONTRIBUTION + PARENTAL CONTRIBUTION)

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	0.	0.	241.	241.	241.	241.	241.	241.	241.	241.
STATE COLLEGES	0.	129.	502.	505.	509.	515.	522.	531.	535.	535.
N.J.I.T.	0.	129.	574.	669.	802.	970.	1176.	1418.	1454.	1454.
RUTGERS	0.	129.	553.	635.	753.	905.	1092.	1314.	1408.	1408.
HIGH ENDOWMENT	922.	922.	922.	922.	1261.	1767.	2396.	3147.	3687.	3687.
LOW ENDOWMENT	0.	129.	572.	738.	983.	1308.	1712.	2197.	2573.	2573.
PROPRIETARY	803.	803.	803.	803.	871.	1122.	1436.	1813.	2123.	2123.

TABLE 8: EFFECTIVE TUITION AS A PERCENT OF ELIGIBLE EXPENDITURES PER STUDENT

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	0.0	0.0	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1
STATE COLLEGES	0.0	7.0	29.6	29.8	30.1	30.4	30.9	31.4	31.6	31.6
N.J.I.T.	0.0	3.6	16.2	18.9	22.6	27.3	33.1	40.0	41.0	41.0
RUTGERS	0.0	4.7	20.0	23.0	27.2	32.7	39.5	47.5	50.9	50.9
HIGH ENDOWMENT	25.0	25.0	25.0	25.0	34.2	47.9	65.0	85.4	100.0	100.0
LOW ENDOWMENT	0.0	5.0	22.2	28.7	38.2	50.8	66.6	85.4	100.0	100.0
PROPRIETARY	37.8	37.8	37.8	37.8	41.0	52.9	67.7	85.4	100.0	100.0

TABLE 2: A COMPARISON OF SIMULATED FULL TUITION, STATE STUDENT GRANT AID, AND EFFECTIVE TUITION PER STUDENT

		$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	SIMULATED TUITION	241.	241.	241.	241.	241.	241.	241.	241.	241.	241.
	STUDENT GRANT AID	241.	241.	0.	0.	0.	0.	0.	0.	0.	0.
	EFFECTIVE TUITION	0.	0.	241.	241.	241.	241.	241.	241.	241.	241.
STATE COLLEGES	SIMULATED TUITION	535.	535.	535.	535.	535.	535.	535.	535.	535.	535.
	STUDENT GRANT AID	535.	406.	33.	30.	26.	20.	13.	4.	0.	0.
	EFFECTIVE TUITION	0.	129.	502.	505.	509.	515.	522.	531.	535.	535.
N.J.I.T.	SIMULATED TUITION	1454.	1454.	1454.	1454.	1454.	1454.	1454.	1454.	1454.	1454.
	STUDENT GRANT AID	1454.	1325.	880.	785.	652.	484.	278.	36.	0.	0.
	EFFECTIVE TUITION	0.	129.	574.	669.	802.	970.	1176.	1418.	1454.	1454.
RUTGERS	SIMULATED TUITION	1408.	1408.	1408.	1408.	1408.	1408.	1408.	1408.	1408.	1408.
	STUDENT GRANT AID	1408.	1279.	855.	773.	655.	503.	316.	94.	0.	0.
	EFFECTIVE TUITION	0.	129.	553.	635.	753.	905.	1092.	1314.	1408.	1408.
HIGH ENDOWMENT	SIMULATED TUITION	3687.	3687.	3687.	3687.	3687.	3687.	3687.	3687.	3687.	3687.
	STUDENT GRANT AID	2765.	2765.	2765.	2765.	2426.	1920.	1291.	540.	0.	0.
	EFFECTIVE TUITION	922.	922.	922.	922.	1261.	1767.	2396.	3147.	3687.	3687.
LOW ENDOWMENT	SIMULATED TUITION	2573.	2573.	2573.	2573.	2573.	2573.	2573.	2573.	2573.	2573.
	STUDENT GRANT AID	2573.	2444.	2001.	1835.	1590.	1265.	861.	376.	0.	0.
	EFFECTIVE TUITION	0.	129.	572.	738.	983.	1308.	1712.	2197.	2573.	2573.
PROPRIE-TARIES	SIMULATED TUITION	2123.	2123.	2123.	2123.	2123.	2123.	2123.	2123.	2123.	2123.
	STUDENT GRANT AID	1320.	1320.	1320.	1320.	1252.	1001.	687.	310.	0.	0.
	EFFECTIVE TUITION	803.	803.	803.	803.	871.	1122.	1436.	1813.	2123.	2123.

TABLE 10: RATIOS OF INTERSECTORAL EFFECTIVE TUITIONS PER STUDENT (STATE COLLEGES = 1.00)

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	*	0.0	0.48	0.48	0.47	0.47	0.46	0.45	0.45	0.45
STATE COLLEGES	*	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
N.J.I.T.	*	1.00	1.14	1.33	1.57	1.88	2.25	2.67	2.72	2.72
RUTGERS	*	1.00	1.10	1.26	1.48	1.76	2.09	2.48	2.63	2.63
HIGH ENDOWMENT	*	7.15	1.84	1.83	2.48	3.43	4.59	5.93	6.89	6.89
LOW ENDOWMENT	*	1.00	1.14	1.46	1.93	2.54	3.28	4.14	4.81	4.81
PROPRIETARY	*	6.22	1.60	1.59	1.71	2.18	2.75	3.42	3.97	3.97

*EFFECTIVE TUITION FOR STATE COLLEGE STUDENTS IN THIS INCOME GROUP IS ZERO. SEE TABLE 7 WHERE EFFECTIVE TUITION IS DISPLAYED.

TABLE 11: COMBINED BENEFITS PER STUDENT (AVERAGE SUBSIDY + STATE STUDENT GRANT AID PER STUDENT)*

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000
COUNTY COLLEGES	1837.	1837.	1596.	1596.	1596.	1596.	1596.	1596.	1596.	1596.
STATE COLLEGES	1691.	1514.	1191.	1188.	1184.	1178.	1171.	1162.	1158.	1158.
N.J.I.T.	3549.	3420.	2975.	2880.	2747.	2579.	2373.	2131.	2095.	2095.
RUTGERS	2765.	2636.	2212.	2130.	2012.	1860.	1673.	1451.	1357.	1357.
HIGH ENDOWMENT	2765.	2765.	2765.	2765.	2426.	1920.	1291.	540.	0.	0.
LOW ENDOWMENT	2573.	2444.	2001.	1835.	1590.	1265.	861.	376.	0.	0.
PROPRIETARY	1320.	1320.	1320.	1320.	1252.	1001.	687.	310.	0.	0.

*THE TOTAL BENEFITS SHOWN INCLUDE ALL THE DIRECT MONETARY BENEFITS THAT WILL BE RECEIVED BY NEW JERSEY RESIDENTS ATTENDING NEW JERSEY POST-SECONDARY INSTITUTIONS UNDER THE MODEL. THESE BENEFITS ARE ALL INSTITUTIONAL SUBSIDIES (STATE SUBSIDIES TO THE COUNTY COLLEGES, STATE COLLEGES, NJIT AND RUTGERS AND COUNTY SUBSIDIES TO THE COUNTY COLLEGES) AND ALL STATE STUDENT GRANT AID.

TABLE 12: AGGREGATE STATE STUDENT FINANCIAL AID FOR EACH INCOME GROUP OF EACH SECTOR (IN THOUSANDS OF DOLLARS)

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000	AVERAGE PER STUDENT
COUNTY COLLEGES	1368.	789.	0.	0.	0.	0.	0.	0.	0.	0.	32.
STATE COLLEGES	1315.	1324.	198.	244.	257.	149.	78.	13.	0.	0.	64.
N.J.I.T.	60.	226.	250.	335.	462.	206.	154.	8.	0.	0.	519.
RUTGERS	1343.	1661.	1994.	2702.	3056.	1959.	1029.	186.	0.	0.	524.
HIGH ENDOWMENT	70.	140.	427.	637.	663.	393.	441.	104.	0.	0.	1133.
LOW ENDOWMENT	3284.	4464.	4155.	5005.	6525.	3482.	2627.	669.	0.	0.	1143.
PROPRIETARY	2151.	1589.	2762.	3740.	4058.	2464.	1106.	362.	0.	0.	985.
TOTAL	9290.	10192.	9786.	12663.	15021.	8655.	5435.	1342.	0.	0.	
AVERAGE PER STUDENT	800.	864.	494.	466.	444.	340.	266.	108.	0.	0.	

TABLE 13: AGGREGATE STUDENT CONTRIBUTION + PARENTAL CONTRIBUTION FOR EACH INCOME GROUP OF EACH SECTOR (IN THOUSANDS OF DOLLARS)

	$0-3000	$3-6000	$6-9000	$9-12000	$12-15000	$15-18000	$18-21000	$21-24000	$24-27000	>$27000	AVERAGE PER STUDENT
COUNTY COLLEGES	0.	0.	1171.	1856.	2123.	1614.	1056.	764.	874.	619.	179.
STATE COLLEGES	0.	421.	3004.	4102.	5118.	3882.	3210.	1674.	2087.	1544.	448.
N.J.I.T.	0.	22.	163.	286.	568.	414.	651.	318.	294.	188.	886.
RUTGERS	0.	167.	1290.	2223.	3511.	3525.	3560.	2612.	3731.	2798.	880.
HIGH ENDOWMENT	23.	47.	142.	212.	345.	362.	818.	605.	2071.	1838.	2547.
LOW ENDOWMENT	0.	236.	1189.	2013.	4034.	3600.	5228.	3903.	7726.	6245.	1293.
PROPRIETARY	1108.	960.	1680.	2275.	2821.	2764.	2314.	2115.	2830.	2005.	1138.
TOTAL	1332.	1859.	8839.	12967.	18520.	16162.	16836.	11991.	19614.	15238.	
AVERAGE PER STUDENT	115.	158.	446.	477.	548.	636.	824.	969.	1215.	1262.	

TABLE 19: LINE ITEM APPROPRIATION (IN THOUSANDS OF DOLLARS)

NOT ALLOCABLE TO SECTORS			
*THOMAS EDISON COLLEGE	500.		
*C.M.D.N.J.	41760.		
*VETERINARY MEDICINE PROGRAM	80.		
GRADUATE FELLOWSHIP PROGRAM		825.	
MERIT AID PROGRAM		4950.	
*OUT OF STATE AID AWARDS	2050.		
ADJUSTMENT FUND FOR NEED BASED STUDENT AID PROGRAM (3% OF TOTAL EXPENDED)		2172.	
*D.H.E. ADMINISTRATION COSTS	2700.		
*SCHOOLS OF PROFESSIONAL NURSING	1500.		
TOTALS	48590.	7947.	
GRAND TOTAL			56537.

	STATE COLLEGES	N.J.I.T.	RUTGERS	
ALLOCABLE TO SECTORS				
*RESEARCH LIBRARIES		100.	500.	
*SEPARATELY BUDGETED RESEARCH		500.	2500.	
*RESEARCH EQUIPMENT AMORTIZATION		500.	1000.	
*SPECIAL PROJECTS			1250.	
*AUXILIARY SERVICES SUBSIDY		1000.		
*A. HARRY MOORE LAB SCHOOL	539.			
*STATE SCHOOL OF CONSERVATION	413.			
*AGRICULTURAL EXPERIMENT STATION			7166.	
TOTALS	952.	2100.	12416.	
GRAND TOTAL				15468.

*INCLUDED IN FY '76 BUDGET

TABLE 15: TOTAL SUBSIDY, STATE STUDENT AID, PARENT-STUDENT CONTRIBUTION AND GRADUATE TUITION BY SECTOR(IN THOUSANDS OF DOLLARS)*

	SUBSIDY	STATE STUDENT AID	PARENT-STUDENT CONTRIBUTION NJ RESIDENT	PARENT-STUDENT CONTRIBUTION NON RESIDENT	GRADUATE TUITION	LINE ITEM APPROPRIATIONS	TOTAL
COUNTY COLLEGES	65367.	1856.	10277.	52.	0.	0.	77552.*
STATE COLLEGES	70307.	3579.	25042.	466.	2107.	952.	102453.
N.J.I.T.	8223.	1701.	2904.	266.	673.	2100.	15867.
RUTGERS	47802.	13930.	23417.	2051.	10087.	12416.	109703.
HIGH ENDOWMENT	0.	2875.	6464.	16912.	7839.	0.	34090.
LOW ENDOWMENT	0.	30212.	34174.	11087.	14288.	0.	89760.
PROPRIETARY	0.	19232.	21080.	0.	0.	0.	39312.
	191699.	72385.	123357.			15468.	

*DOES NOT INCLUDE COUNTY CONTRIBUTION OF $ 26388. (IN THOUSANDS OF DOLLARS)

STATE EXPENDITURE (IN THOUSANDS OF DOLLARS)

STATE SUBSIDY TO INSTITUTIONS	191699.
STATE STUDENT AID	72385.
LINE ITEM APPROPRIATIONS (ALLOCABLE TO SECTORS)	15468.
LINE ITEM APPROPRIATIONS (NOT ALLOCABLE TO SECTORS BUT INCLUDED IN FY '76 BUDGET)	48590.
LINE ITEM APPROPRIATIONS (NOT ALLOCABLE TO SECTORS AND NOT INCLUDED IN FY '76 BUDGET)	7947.
TOTAL	336088.

APPENDIX III

COMMISSION PUBLICATIONS

COMMISSION ADVISORY SUBCOMMITTEES

COMMISSION PROCEEDINGS AND MEETINGS

COMMISSION PUBLICATIONS

1. "A Report on Undergraduate Student Financial Aid Needs and Resources in New Jersey Colleges and Universities, 1973-1974." April, 1975.

2. "Undergraduate Enrollment Projections for New Jersey Institutions of Postsecondary Education, 1976-1990." September, 1975.

3. "An Analysis of Family Incomes of Full-Time Collegiate Students in New Jersey." September, 1975.

4. "The Needs and Resources of Undergraduate Students in Postsecondary Education in the State of New Jersey, 1974-1975." September, 1975.

5. "A Special Analysis: Family Financial Circumstances and Patterns of Financing a College Education." December, 1975.

6. "Student Resource Survey of Selected New Jersey Residents Attending College in Another State." March, 1976.

7. "An Analysis of the Monetary Benefits and Costs of Higher Education in New Jersey, 1975-1976." June, 1976.

8. "Interstate Comparisons of Higher Education Systems in Nine States." December, 1976.

9. "Equity and County College Financing." February, 1977.

10. "An Analysis of New Jersey Postsecondary Education Expenditures: The Current System (FY 76) and the Commission Recommendations." February, 1977.

11. "Postsecondary Education Vouchers: The Case for a Demonstration." March, 1977.

COMMISSION ADVISORY SUBCOMMITTEES

Faculty Advisory Subcommittee

Administrative Advisory Subcommittee

Financial Aid Officers Advisory Subcommittee

Student Advisory Subcommittee

Technical Advisory Panel

Faculty Advisory Subcommittee

Independent Colleges

Reverend William F. X. Maher, Ph.D.
Associate Professor of Economics
St. Peter's College

Dr. James Moniz
Department of Economics
Upsala College

County Colleges

Mr. Philip E. Guldeman
Department of Business Administration
County College of Morris

Mrs. Janet Hubbs
Asst. Professor, Humanities Department
Ocean County College

State Colleges

Dr. Lynn Stiles
Associate Professor of Physics
Stockton State College

Dr. James Nash
Assistant Professor of English
Montclair State College

Rutgers University

Dr. Morris Seigel, Professor
Graduate School of Social Work
Rutgers, The State University

Dr. Richard T. Weidner
Associate Dean and Professor of Physics
Rutgers College

New Jersey Institute of Technology

Dr. Dimitrios Tassios
Professor of Chemical Engineering
New Jersey Institute of Technology

American Federation of Teachers

Dr. David N. Alloway
Professor of Sociology
Montclair State College

New Jersey Education Association

Dr. Duane Linden
New Jersey State College Faculty Association

Administrative Advisory Subcommittee

Independent Colleges

Sister Anne John, O.P.
President
Caldwell College

Dr. Jerome M. Pollack
President
Fairleigh Dickinson University

County Colleges

Dr. J. Harry Smith
President
Essex County College

Dr. Otto R. Mauke
President
Camden County College

Dr. Donald H. Smith
President
Brookdale Community College

State Colleges

Mr. Heman Adams
Director of Institutional Planning
Jersey City State College

Mr. Fred Waring
Director of Institutional Research
Ramapo College of New Jersey

Rutgers University

Mr. Marvin Greenberg
Vice President
Rutgers, The State University

Dr. Norman Samuels
Associate Dean
Rutgers University, Newark

New Jersey Institute of Technology

Mr. Eugene Stamper
Assistant Dean
New Jersey Institute of Technology

Financial Aid Officers Advisory Subcommittee

Independent Colleges

Mr. Robert J. Chonko
Director of Financial Aid
Fairleigh Dickinson University

Mr. Thomas C. Scott
Director of Financial Aid
St. Peter's College

County Colleges

Mr. Joseph A. Clarizio
Director of Financial Aid
Essex County College

Mr. Fred R. Hertrich
Director of Financial Aid
Middlesex County College

State Colleges

Mr. John R. Nevin
Director of Financial Aid
Jersey City State College

Mrs. Claire Davies
Director of Financial Aid
Kean College of New Jersey

Rutgers University

Mr. Art Richmond
Financial Aid Officer
Rutgers, The State University

Mr. Chuck Ehrensperger
Financial Aid Officer
Rutgers, The State University

New Jersey Institute of Technology

Mr. S. Joseph House
Financial Aid Officer
New Jersey Institute of Technology

New Jersey Association of Financial Aid Administrators,

Mr. William Murphy
Director of Financial Aid
Glassboro State College

Student Advisory Subcommittee

County Colleges

Mr. Jack Fitzpatrick
Brookdale Community College

Mr. George Loper
Cumberland County College

Rutgers University

Mr. Alan Cohen
Rutgers University

Ms. Janet Skutnik
Rutgers University

Independent Colleges

Ms. Nancy Morawetz
Princeton University

State Colleges

Mr. Ronald Sampath
William Paterson State College

New Jersey Institute of Technology

Mr. Wayne Schutz
New Jersey Institute of Technology

New Jersey Public Interest Research Group

Mr. Steve DeMicco, Executive Director
New Jersey Public Interest Research Group

New Jersey Student Government Association

Mr. Sam Crane
Executive Director
New Jersey Student Association

Technical Advisory Panel

Dr. Stephen P. Dresch
Institute for Demographic and Economic Studies, Inc.

Dr. Carol Van Alstyne
American Council on Education

Dr. George Weathersby
Graduate School of Education
Harvard University

COMMISSION PROCEEDINGS AND MEETINGS

September 10, 1974 — Rutgers University - Organizational Meeting.
Topics: Staffing, public positions, organization.

October 16, 1974 — Henry Chauncey Conference Center, Educational Testing Service - Organizational Meeting.
Topics: Staffing, budget, advisory relationships, direction of work.

January 29, 1975 — Rutgers University - Organizational Meeting.
Topic: Decision to prepare Student Resources Survey.

March 5, 1975 — Rutgers University - Commission Meeting.
Topics: Foundation proposals for external funding, creation of advisory committees.

May 14, 1975 — Trenton State College - Commission Meeting.
Topics: Scope and scheduling of Commission activity and research for the duration of the Commission's work.

June 24, 1975 — McGraw-Hill - Commission Meeting.
Topic: Testimony was given providing an overview of the financing strategies and the postsecondary education currently in place in New Jersey. Information and opinions were offered by the following:

Technical Advisory Panel Members

Stephen Dresch, President, Institute for Demographic & Economic Studies, Inc.
Robert Hartman, Economic Studies Program, The Brookings Institution
George Weathersby, Graduate School of Education, Harvard University

Department of Higher Education Staff Members

Bruce Robertson, Assistant Chancellor, Master Planning & Research
Haskell Rhett, Assistant Chancellor, Student Assistance and Special Programs
Bruce Robertson, Assistant Chancellor, Master Planning and Research
Haskell Rhett, Assistant Chancellor, Student Assistance and Special Programs
Bert Masia, Director, Office for State Colleges
Matthew Quinn, Director, Office for Independent Colleges and Universities
Fred Kreisler, Director, Office of State University and Professional Schools
Kenneth Wright, Director, Office of Community Colleges.

September 17, 1975 — Rutgers University - Student Hearing.
Topic: Tuition, financial aid, access. Sponsored by Student Advisory Subcommittee.

September 22, 1975 — Henry Chauncey Conference Center, Educational Testing Service - Commission Meeting.
Topic: Environment for postsecondary education in New Jersey. Commission members and representatives from both government and the private sector discussed funding issues, public opinion toward higher education and the outlook for postsecondary education in New Jersey. Testimony and discussion focused on the issues surrounding governmental (federal and state) support of higher education as well as the potential for future private support (foundations and corporations) of postsecondary education in New Jersey. Statements were offered by the following:

- Charles Rainey; Program Officer, United States Office of Education
- Peter Bearse; New Jersey Office of Economic Policy
- Jay Ladin; Supervisor of Taxation, New Jersey Office of Fiscal Affairs
- William Fuller; Assistant Commissioner for Planning, New York
- Kenneth Reeher; Director, Student & Institutional Aid Programs, Pennsylvania
- Alden Dunham; Program Officer, Carnegie Corporation
- Walter Kenworthy; Program Manager, Exxon Education Foundation
- Gary King; Principal Labor Market Analyst, New Jersey Department of Labor & Industry
- Senator Joseph Merlino; statement read in his absence.

October 1, 1975 — William Paterson State College - Student Hearing.
Topic: Tuition, financial aid, access. Sponsored by Student Advisory Subcommittee.

October 3-4, 1975 — National Conference Center - Seminar.
An intensive two-day discussion was held among Commission members to establish parameters for the postsecondary education system, to set goal priorities, and to examine various approaches to financing. Statements were offered by the following:

- Arthur Chickering; Vice President, Empire State College, New York
- Stephen Dresch; President, Institute for Demographic & Economic Studies, Inc.
- James Harrison; Subcommittee on Postsecondary Education, United States Senate
- Carol Van Alstyne; Chief Economist, American Council on Education.
- George Weathersby; Graduate School of Education, Harvard University.

October 15, 1975 — New Jersey Institute of Technology - Student Hearing.
Topic: Tuition, financial aid, access. Sponsored by Student Advisory Subcommittee.

October 22, 1975 — Richard Stockton State College - Student Hearing.
Topic: Tuition, financial aid, access. Sponsored by Student Advisory Subcommittee.

November 17, 1975 — Rider College - Commission Meeting.
Topic: Tuition Policy. Testimony was given by representatives of various postsecondary constituencies. Statements were offered by the following:

- William McKeefery; President, Paterson State College
- Noel Johnston; President, Association of Independent Colleges & Universities in New Jersey
- Donald Smith; President, Brookdale Community College
- Eugene Stamper; Assistant Dean, New Jersey Institute of Technology
- Edward Bloustein: President, Rutgers University
- Alice Irby; Vice President for Student Services, Rutgers
- Scott Stark; President, New Jersey Student Government Association
- Jerry Veldof; Field Representative for Higher Education, New Jersey Education Association
- Philip Guldeman (County College of Morris); Faculty Advisory Subcommittee
- Father F. X. Maher (St. Peter's College): Faculty Advisory Subcommittee.

December 8, 1975 — Rutgers University - Commission Meeting.
Topic: Institutional Aid and Student Aid. Testimony was given by representatives of various postsecondary constituencies. Statements were offered by the following:

Administrators

Marvin Greenberg; Vice President for Program Development & Budgeting, Rutgers University
Norman Samuels; Associate Dean, Rutgers University, Newark
William McKeefery; President, Paterson State College
Noel Johnston, President, Association of Independent Colleges & Universities in New Jersey
Eugene Stamper, Assistant Dean, New Jersey Institute of Technology
Donald Smith; President, Brookdale Community College

Financial Aid Officers

William Murphy; Glassboro State College
Chuck Ehrensperger; Rutgers University
John Nevin; Jersey City State College
Thomas Scott; St. Peter's College
Fred Hertrich; Middlesex County College
Bob Chonko; Fairleigh Dickinson University
Joseph House, New Jersey Institute of Technology
Claire Davies, Kean College of New Jersey

Freeholders

Thomas Cooke; Essex County
Elliott Mayo; Middlesex County.

January 15, 1976 — Johnson & Johnson - Commission Meeting.
Topic: Commission members undertook preliminary discussion of four separate funding models prepared by the Commission staff.

February 24, 1976 — Brookdale Community College - Commission Meeting.
Topic: Issues facing future state funding of occupational and graduate education in New Jersey. Testimony was given by institutional representatives from various postsecondary sectors. Statements were offered by the following:

- Kenneth Wolfson; Dean of the Graduate School, Rutgers
- David Dickson; President, Montclair State College
- Kenneth Rogers; President, Stevens Institute of Technology
- Donald Springle; Superintendent, Camden County Vocational & Technical Schools
- Harmon Pierce; Vice President, Academic & Student Affairs, Burlington County College
- Dean Evans; President, Burlington County College
- Leslie Balter; The Plaza School.

March 16, 1976 — Rider College - Commission Meeting.
Topic: Basic funding principles. The Commission reviewed and tentatively endorsed fifteen basic funding principles to be incorporated in a financing plan.

April 9, 1976 — Rutgers University - Commission Meeting.
Topic: Continued discussion of basic funding principles.

May 17, 1976 — Rider College - Commission Meeting.
Topic: Explanation of funding model developed by staff to operationalize the basic funding principles. Tentatively endorsed by Commission members. Statements were offered by the following:

- Henry Winkler; Acting President, Rutgers University
- Eugene Smithberg; Vice President for Academic Affairs, New Jersey Institute of Technology
- William Maher; Associate Professor of Economics, St. Peter's
- Fred Waring; Director of Institutional Research, Ramapo
- Heman Adams; Director of Institutional Planning, Jersey City.

June 9, 1976 — Princeton University - Commission Meeting.
Topic: Specific issues related to student and institutional aid, e.g. 40% vs. 60% direct institutional subsidy; $500 student contribution level; $25,000 gross family income cut-off for student aid eligibility; caps on aid awards to students attending independent institutions; merit-based aid program. Statements were offered by the following:

- Richard Cost; Executive Associate, Association of Independent Colleges & Universities in New Jersey
- Fred Waring; Director of Institutional Research, Ramapo.

June 23, 1976 — Rutgers University - Commission Meeting.
Topics: Basic skills, admission standards and remediation.
Statements were offered by the following:

- Henry Winkler; Acting President, Rutgers University
- David Dickson; President, Montclair State College
- Richard Bjork; President, Stockton State College
- Nathan Weiss; President, Kean College of NJ
- Merle Allshouse; President, Bloomfield College
- Sister Anne John; President, Caldwell College
- Kenneth Rogers; President, Stevens Institute of Technology
- Donald Smith; President, Brookdale Community College
- Eugene Smithberg; Vice President for Academic Affairs, New Jersey Institute of Technology

July 6, 1976 — Somerset County College - Commission Meeting.
Topic: Financing graduate education. Statements were offered by the following:

- Marvin Greenberg; Vice President for Program Development & Budgeting, Rutgers University
- Paul Pearson; Associate Provost for Academic Affairs, Rutgers
- Norman Samuels; Associate Dean, Rutgers University, Newark
- Richard Spies; Associate Provost, Princeton University
- Noel Johnston; President, Association of Independent Colleges & Universities in New Jersey
- Mary Bach Kievit; Associate Dean, Graduate School of Education, Rutgers University.

September 8, 1976 — McGraw-Hill - Seminar.
Editing seminar for Commission members to consider draft of staff's final report.

September 11, 1976 — Princeton University - Seminar.
Further consideration of final report draft.

January 12, 1977 — Draft of the Commission's final report, "Financing in an Era of Uncertainty," released at a press conference and mailed to the general public.

February 16, 1977 — Gateway Downtowner, Newark - Public Hearing.
Testimony on the draft report was offered by 22 persons representing various constituencies in a session open to the public. Copies of the testimony along with that of several other persons has been bound in a notebook available for public perusal.

February 22, 1977 — Forsgate Country Club - Panel Discussion.
Five members of the Commission and five college presidents discussed the Commission's work in an open forum sponsored by the New Jersey Association of Colleges and Universities.

February 23, 1977 — McGraw-Hill - Final Commission Meeting.
Amendments to the report were determined and the signing of the report was completed.

May 20, 1977 — Trenton.
The Commission's final report was formally presented to the Board of Higher Education.

For a summary of the proceedings of individual meetings, please contact either the Commission offices or the Department of Higher Education. Regular meetings of advisory committees were also held; for further information contact the Commission offices or the Department of Higher Education. Individual meetings involving Commission staff and institutional leaders were held periodically on various subjects. While a comprehensive listing of such meetings would be cumbersome, the Commission would be happy to answer any questions about such activity.

APPENDIX IV

STATEMENTS OF INDIVIDUAL COMMISSION MEMBERS

General Assembly
of New Jersey
Trenton

Assistant Majority Leader
Albert Burstein
Assemblyman, District 37 Bergen
2033 Lemoine Avenue
Fort Lee, N.J. 07024

March 8, 1977

Commission on Financing Post-
Secondary Education
Suite 250
20 Nassau Street
Princeton, New Jersey 08540

Gentlemen:

I was appointed one of the legislative members of the New Jersey Commission on Financing Post-Secondary Education. Due to the fact that most meetings of the Commission occurred at times when there was conflict with other responsibilities, both legislative and private, I have not been able to participate in the deliberations of your body.

As a result, when the final report of the Commission is prepared, I wish it to be indicated that I take no position as a Commission member with respect to its contents.

Thank you for your courtesy.

Very truly yours,

Albert Burstein

AB/ft

Statement of Commissioner Wayne J. Holman, Jr.

Referring to the Commission's Recommendation #5, it seems to me it would be much more appropriate for remedial work to be done at the secondary, rather than at the postsecondary level. Our colleges and universities should have standards for admittance, and those admitted should possess the requisite qualifications therefore. The standards should be based on the successful completion of secondary school work, and it would seem apparent that those who cannot successfully complete this, could not benefit from higher education. Moreover, it seems logical that remedial work in secondary education should be done where secondary education is carried on, rather than in a secondary education section established for remedial purposes in an institution of higher learning.

The Commission's recommendation for tuition and fees at the county colleges is $241, and at the state colleges is $535. I would have preferred retaining the 1976-77 levels of $500 at almost all of the county colleges, and approximately $750 for the state colleges. Financial aid is available for those students from low-income families, and those from moderate or high-income families should not expect their neighbors to bear so large a proportion of the cost of their education which, I believe, will run in total over $3,000 per year at the county college level and over $4,000 per year at the state college level.

Statement of Commissioner Albert W. Merck

The essential meaning of the Commission's report is that it sets a course towards the simultaneous goals of equality of opportunity and of educational excellence. It asks that the state make a public commitment to the idea that everyone who has finished 12th grade and wishes to go beyond is entitled to equal support for whatever he or she may choose to be interested in and at whatever level of difficulty. This assumes, of course, that the student's work will not be of a frivolous nature and that it will result in benefits both to the student and to society.

The proposals argue the case that within limited resources, while it is possible to maintain a high quality state university on a limited scale, true equality of opportunity cannot be given effect under the present system which assigns a first priority to students who are most academically able and who can, in a traditional university setting, further refine their abilities to even higher levels.

As such, the Commission proposals enunciate a political and social value judgment which I fully support.

The recommendations which would shift a part of the burden of financing from the middle-income groups is desirable both from the point of view of equity and of helping to attract needed political support from an all-important group. I think that the proposed means of distributing aid are probably more suitable to the goals of the Commission, but not necessarily so. However, they appear to make possible a more efficient use of the taxpayers' dollar especially during periods of budget restraint and from that point of view they deserve adoption.

While the report's proposals are also directed towards the improvement of quality, such improvement is expected to be derived from increased institutional autonomy, flexibility, and a slightly more competitive pricing structure. It should be clear that the necessary large, long-term investment needed to improve the quality of New Jersey higher education throughout the system has not been dealt with. Even if an additional $68 million annually could be added to the present state subsidies it would represent a redistribution of existing resources rather than the amounts needed to bring the state up to a level comparable with other leading states in the union.

Clearly the political support for such a large-scale undertaking is lacking at the present time and will probably continue to be lacking for as long as the general public regards the infusion of more dollars into the existing system as being support for what is overly restrictive at the upper end of the academic scale and inadequate anywhere below. As a result of what is perceived by parents and students alike to be an absence of sufficient spaces in the state that can supply an affordable quality education some 40% of our "best" students bound for college "vote with their feet" and leave New Jersey for what they believe to be both a superior education and a more valued degree. If this report can make more people aware of this continuing problem it will have served a most useful purpose.

Not nearly enough attention has been given to the enormously expensive practice of keeping in college large numbers of students who are unable to utilize their learning potential. They require expensive remediation for which the higher education community has insufficient resources and there is ample evidence that by retaining student bodies with a wide diversity of ability levels, it is most difficult, if not impossible, to achieve a desirable level of excellence.

Remediation is a necessity but unless it is quite incidental to the academic mission of a college, it can only result in a situation detrimental to the quality of the student body, the faculty and the degree awarded. This problem must be dealt with sooner or later by those responsible to the public.

Clearly, whether remediation takes place in the college setting or in other preparatory situations its cost must be borne by the secondary schools. They are now very lavishly financed. It is their responsibility and they should assume it promptly.

Should these proposals be adopted, it will be important to monitor the results carefully, as is recommended. Particularly necessary will be some evaluation of whether a higher percentage of low income students will go on to college. I believe they will, if for no other reason than a lowering of the paperwork barriers. But whether a higher percentage of these same students will then go on to the more academically demanding colleges is questionable. It should be kept track of. It is a significant measure of a fundamental effort.

Whether these proposals are adopted or not, the state's educational leadership should select the basic data which the Commission staff had to assemble with much effort and set up the necessary devices to keep it current. It is ironic, as well as expensive, that a major field of public concern, postsecondary education, should be deficient in the necessary data base to assay its progress. For those in higher education who place a premium on research, there is an unmet challenge in the field of educational financing but it requires a continuing application of effort.

The report is by necessity very complicated, but if it is recognized for what it is in its largest sense, it will have accomplished its mission. I am proud to sign this report. It calls for nothing less than bringing the vital public function of learning beyond high school into closer conformance with the ideals of equal opportunity and excellence.

NEW JERSEY SENATE

STEPHEN B. WILEY
SENATOR, 23RD DISTRICT
230 MADISON AVENUE
MORRISTOWN, NEW JERSEY 07960
201-539-1313

March 8, 1977

Dennis Reigle, Deputy Director
Commission on Financing Post-
Secondary Education
Suite 250, 20 Nassau Street
Princeton, New Jersey 08540

Dear Mr. Reigle:

Thank you for your letter of February 25, 1977.

I have managed to keep the staff of the Senate Education Committee in touch with the work of the Commission for their future reference and that has been helpful. As I indicated from the outset, however, I have not been able to take an active role personally. For this reason and because the matter may eventually come to us for study and consideration in the Legislature, I will not be participating in the judgments incident to the final report of the Commission.

Sincerely yours,

Stephen B. Wiley